

**AN ANALYSIS OF LOCAL AND IMMIGRANT ENTREPRENEURSHIP IN THE  
SOUTH AFRICAN SMALL ENTERPRISE SECTOR  
(GAUTENG PROVINCE)**

by

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## DECLARATION OF OWN WORK

I, Nkoana Simon Radipere, declare that **“An analysis of local and immigrant entrepreneurship in the South African small enterprise sector (Gauteng province)”** is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references. The thesis is submitted in fulfilment of the requirements for the degree Doctor of Commerce in Business Management.

.....

Signature  
(NS Radipere)

.....

Date

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## ABSTRACT

This study was undertaken to investigate the motivation, intention, self-efficacy, culture, business support, entrepreneurial orientation and business performance of South African and immigrant entrepreneurs in small and medium enterprises (SMEs) in Gauteng province. The performance of the SMEs was investigated, and the reasons and gaps that have led to the assumed low competitive ranking and poor performance of South African entrepreneurs compared to immigrant entrepreneurs were analysed.

A structured research instrument (questionnaire) was used to collect data through interviews and a self-administered survey. A total of 466 questionnaires out of 500 questionnaires that had been distributed to respondents by six fieldworkers were returned (93.2%) for analysis. A number of hypotheses were postulated to address the study aims and the collected data were analysed to answer the hypotheses.

The results of the study showed a significant correlation between motivation and business performance (a motivated entrepreneur is more likely to succeed in business than an unmotivated entrepreneur) and a significant positive correlation between culture and motivation to start a business (a culture that is supportive of entrepreneurial activities, low uncertainty avoidance, high individualism and low power distance relates positively to a high level of entrepreneurial self-efficacy). The results also showed a significant difference between the mean values of business performance and the education of the owner. It is suggested that the government creates a favourable climate to allow entrepreneurs to release their potential. The government can help by making complex legislation easier for start-ups and reducing the tax burden on new entrepreneurs.

**Key terms:** entrepreneur; entrepreneurship; immigrant entrepreneurs; entrepreneurial intention; Gauteng province; small and medium enterprises (SMEs); Johannesburg; Tshwane; culture; self-efficacy, entrepreneurial performance and motivation.

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# **CHAPTER 1**

## **INTRODUCTION AND BACKGROUND**

### **1.1 INTRODUCTION**

In this chapter the context, aims, objectives and benefits of the study are set out; important concepts are clarified as they pertain to the study; and the operational definitions of constructs that are used in this study are given. An outline of how this thesis is structured is also given.

### **1.2 THE CONTEXT OF THE STUDY**

Throughout the world, entrepreneurship is seen as the driving force behind economic development. Some authors, such as Morris, Schindehutte and Lesser (2002:35) argue that entrepreneurship is a fundamental value-driven activity. Rogerson (2003:4) argue that personal values seem to have important implications not only for the decision to pursue entrepreneurship, but also the way in which the entrepreneur approaches a venture. It is important to explore how much influence a common set of values has on entrepreneurial development. Morris et al. (2002:36) highlight that values reflect the entrepreneur's conscious view of himself or herself. Some studies in Africa (Nwanko, 2005:34) conclude that psychological variables and race and ethnicity are important predictors of entrepreneurial activity. McClelland (1998:334) indicates that self-belief directly shapes movement towards action. It is values like self-belief that result in entrepreneurship, and entrepreneurship is seen as the most significant driver in the future development of societal welfare.

As the pace of change continues to accelerate globally, the success of community enterprises depends on the innovation of entrepreneurs. Yet the Global Entrepreneurship Monitor (GEM,2011)reported South Africa as performing low (9.1%) in entrepreneurship, with total entrepreneurial activity (TEA) below the average of comparable economies around the world. This remains a concern and feeds the debate around the factors that impact on entrepreneurial performance.

South Africa's low ranking in global competitiveness is a source of national concern. This means that South Africa has the smallest proportion of entrepreneurs compared with other developing countries. This is a problem in a country where entrepreneurial ventures account for one-third of total employment. The unemployment rate in post-apartheid South Africa remains extremely high, with unemployment especially among black South Africans worsening since 1994 (GEM, 2011). With the increase in unemployment, which is in part due to the apartheid legacy, current government policies are increasingly being questioned. The GEM (2010:44) reported South Africa as ranking 110<sup>th</sup> out of 135 countries in terms of the unemployment rate.

In South Africa there have been intermittent but persistent, and at times fatal, attacks on non-South African entrepreneurs. Many traders have been killed by groups purporting to represent unemployed people in South Africa (Nkealah, 2011:125; Human Science Research Council 2008:26). These people complain that foreigners are taking their jobs and are taking over businesses and sometimes entire industries - for example, the taxi industry (Nkealah, 2011:125).

It is believed that an increase in small business start-ups can help alleviate poverty and create employment opportunities in South Africa. Nkealah (2011:125) further reported that entrepreneurship seems to be thriving among the immigrant population but this does not seem to be the case among South Africans. It is such observations, whether factual or not, that seem to fuel xenophobic sentiments and actions. Kalitanyi and Visser (2010:382) point out that the reasons why African immigrant entrepreneurs establish their businesses in South Africa include political instability in their countries, economic reasons and perceived business opportunities. The following success stories show that business among immigrants seems to be booming.

### **Some success stories of immigrant entrepreneurs in Tshwane and Johannesburg**

*Not long ago, a Nigerian immigrant was selling potato chips on a pavement near Bosman Street's central taxi rank in Pretoria. Three years later, this man who arrived in South Africa in 2006 searching for a job, owned a successful business selling cellphones and accessories in a city-centre shop. The man is now looking to buy a property. Another story is that of a man who started as a sidewalk shoe repairer.*

*The man managed to save some money and opened a profitable business in the Pretoria CBD. A refugee from Congo in Sunnyside (Pretoria) employs three South Africans in his Internet cafe not far from the Sunny Park mall. He started with only two used computers; he now has ten and is considering creating additional employment for local people (GEM.2011).*

*According to the author's observation, a number of grocery shops in the townships which were once operated by locals are now being successfully operated by Somalis, Ethiopians and Pakistanis.*

We need to understand what motivates entrepreneurs to start a business. According to literature, factors that affect a person's decision to start a business include culture and self-efficacy. The study will further undertake to look at the entrepreneur's motivation to start a business and how this activity is affected by his or her culture, self-efficacy, intentions and entrepreneurial orientation. Some researchers, like Schumpeter (1934) and McClelland (in Urban 2004:172), indicate that there is a link between culture and entrepreneurship. Other researchers, like Hofstede (2001:161), have found that culture is a moderator in the relationship between contextual factors and entrepreneurial outcomes. This informs us that culture acts as a catalyst, rather than a causal agent, of entrepreneurial outcomes. According to Urban (2004:173), culture occurs within the context of a social unit or group and consists of patterned ways of thinking, feeling and reacting.

Scholars in entrepreneurship have been searching for constructs of individual characteristics that are unique to entrepreneurs (Mitchell, Busenitz, Bird, Galio, McMullen and Morse. 2007:7). Krueger (2000:38) says that entrepreneurs' intentions guide their goal setting, communications, commitment, organisation and work. He further says that intention is the single best predictor of any planned behaviour, including entrepreneurship. It is said that entrepreneurial intention depends on the individual's attitudes and subjective norms, as well as the perceived feasibility of the endeavour.

Bandura (in Urban 2004:6) indicates that perceived self-efficacy is the strongest single predictor of career choice and self-reported competencies which predict entrepreneurial

performance. He explains self-efficacy as one's ability to organise and execute the courses of action required to manage prospective situations. Bandura (in Urban2004:7) argues that self-efficacy is influenced by different sources of information that are persuasive, depending on one's cultural values. Urban (2004:175) adds that a study of entrepreneurial motivation without insight into culture is an idle pursuit.

Rogerson (1997:1) reports that since 1994, there has been a growing movement of foreign migrants and refugees to South Africa. These migrants reportedly come primarily from South Africa's traditional labour supply areas, including many Southern African Development Community (SADC) countries. The apparently strong business establishment of the foreign ethnic part of South Africa's economy presents a template of success for immigrant entrepreneurship. The study will further undertake to examine whether immigrant entrepreneurs perform better than local entrepreneurs.

It is therefore necessary to understand how the entrepreneurial start-up factors (motivation, culture, self-efficacy, intention, orientation, business support and business performance) affect the way people start a business - in other words, there is a need to find out to what extent the entrepreneurial start-up factors affect a person's ability to start a business. The study was therefore also directed at establishing whether these factors affect immigrants and South Africans in the same way.

This study focused on the small and medium enterprise (SME) sector in Gauteng's major cities of Johannesburg and Tshwane, areas that have experienced dramatic changes in their residential complexion and business make-up over the past decade. SMEs' entrepreneurs in Johannesburg and Tshwane are of particular interest because the two cities are the focal point of much of the recent international migratory flow into South Africa and large parts of the cities have been taken over by foreign migrants (Rogerson, 2003:5).

The study further focused on the retail and service industry because the SMEs in this industry are identified as the major contributors towards the gross domestic product (GDP) (GEM 2010:26). It was found that a significant majority (almost a third) of early-stage TEA in South Africa is in the consumer services, which includes retail, lodging, restaurants, personal services and recreational services.

### **1.3 THE RESEARCH PROBLEM**

In different countries, certain groups of immigrants have levels of self-employment exceeding the national average. The level of self-employment is, for example, higher among Asians and SADC immigrants in South Africa than among nationals (Mthembu-Mahanyele 2002). Collins (2002:139) shows that Asian immigrants have had the highest rate of self-employment in Australia in at least the last 20 years. Most of these businesses seem successful when we compare them with local businesses. Their success is realised in terms of market growth or increases in business size.

It becomes an area of interest to explain the variation in the level of entrepreneurial activity between the two groups of entrepreneurs. There is a need to determine the successful business strategies used by immigrant entrepreneurs which locals do not use. The fact that more immigrants than locals seem to start businesses is quite baffling. Are immigrant and local entrepreneurs affected differently in starting and managing businesses? The study's aim and objectives will be clarified next.

### **1.4 THE AIM AND OBJECTIVES OF THE STUDY**

The study was aimed at investigating why more immigrants than South Africans seem to start businesses. It was also aimed at finding out why immigrant-owned businesses seem to perform better than those owned by locals. The effect of culture, self-efficacy, intention and motivation on entrepreneurship was studied.

The objectives of the study were to find out:

- how culture, self-efficacy, motivation, entrepreneurial intention and orientation affect start-ups
- if immigrant and local entrepreneurs are affected in the same way by the entrepreneurial start-up factors (culture, self-efficacy, motivation, entrepreneurial intention, entrepreneurial orientation, and business support and performance) when starting their businesses
- if immigrant and local entrepreneurs access business support

- the performance levels of the businesses of immigrant and local entrepreneurs
- how the demographic profile of the owner is affected by the entrepreneurial start-up factors

## 1.5 THE RESEARCH HYPOTHESES

The null hypotheses for the study were as follows:

**Hypothesis 1 (H<sub>01</sub>):** There is no significant correlation between motivation and the following entrepreneurial start-up factors: culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation, business support and business performance.

- **H<sub>01a</sub>:** There is no significant correlation between motivation to start a business and culture.
- **H<sub>01b</sub>:** There is no significant correlation between motivation to start a business and self-efficacy.
- **H<sub>01c</sub>:** There is no significant correlation between motivation to start a business and entrepreneurial orientation.
- **H<sub>01d</sub>:** There is no significant correlation between motivation to start a business and entrepreneurial intentions.
- **H<sub>01e</sub>:** There is no significant correlation between motivation to start a business and business performance.
- **H<sub>01f</sub>:** There is no significant correlation between motivation to start a business and business support.

**Hypothesis 2(H<sub>02</sub>):** There is no significant correlation between culture and the following entrepreneurial start-up factors: self-efficacy, entrepreneurial intention, entrepreneurial orientation, business support and business performance.

- **H<sub>02a</sub>:** There is no significant correlation between culture and self-efficacy.
- **H<sub>02b</sub>:** There is no significant correlation between culture and entrepreneurial orientation.

- **H<sub>0</sub>2c:** There is no significant correlation between culture and entrepreneurial intention.
- **H<sub>0</sub>2d:** There is no significant correlation between culture and business performance.
- **H<sub>0</sub>2e:** There is no significant correlation between culture and business support.

**Hypothesis 3 (H<sub>0</sub>3):** There is no significant correlation between self-efficacy and the following entrepreneurial start-up factors: entrepreneurial intention, entrepreneurial orientation, business support and business performance.

- **H<sub>0</sub>3a:** There is no significant correlation between self-efficacy and entrepreneurial orientation.
- **H<sub>0</sub>3b:** There is no significant correlation between self-efficacy and entrepreneurial intention.
- **H<sub>0</sub>3c:** There is no significant correlation between self-efficacy and business performance.
- **H<sub>0</sub>3d:** There is no significant correlation between self-efficacy and business support.

**Hypothesis 4 (H<sub>0</sub>4):** There is no significant correlation between entrepreneurial orientation and the following entrepreneurial start-up factors: entrepreneurial intention, business performance and business support.

- **H<sub>0</sub>4a:** There is no significant correlation between entrepreneurial orientation and entrepreneurial intention.
- **H<sub>0</sub>4b:** There is no significant correlation between entrepreneurial orientation and business performance.
- **H<sub>0</sub>4c:** There is no significant correlation between entrepreneurial orientation and business support.

**Hypothesis 5 (H<sub>0</sub>5):** There is no significant correlation between entrepreneurial intention and business performance and support.

- **H<sub>0</sub>5a:** There is no significant correlation between entrepreneurial intentions and business performance.
- **H<sub>0</sub>5b:** There is no significant correlation between entrepreneurial intention and business support.

**Hypothesis 6 (H<sub>0</sub>6) – H<sub>0</sub>6a:** There is no significant correlation between entrepreneurial orientation and business support.

**Hypothesis 7 (H<sub>0</sub>7):** There is no significant difference between the mean scores of the origin of the owner(s) and the entrepreneurial start-up factors of culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation, business performance and business support.

- **H<sub>0</sub>7a:** There is no significant difference between the mean scores of the origin of the owner(s) and culture in starting a business.
- **H<sub>0</sub>7b:** There is no significant difference between the mean scores of the origin of the owner(s) and self-efficacy in starting a business.
- **H<sub>0</sub>7c:** There is no significant difference between the mean scores of the origin of the owner(s) and entrepreneurial orientation.
- **H<sub>0</sub>7d:** There is no difference between the mean scores of the origin of the owner(s) and the intention to start a business.
- **H<sub>0</sub>7e:** There is no significant difference between the mean scores of the origin of the owner(s) and business performance.
- **H<sub>0</sub>7f:** There is no difference between the mean scores of the origin of the owner(s) and business support.
- **H<sub>0</sub>7g:** There is no significant difference between the mean scores of the origin of the owner(s) and motivation to start a business.

**Hypothesis 8 (H<sub>0</sub>8)**

- **H<sub>0</sub>8 (1–6):** There is no statistically significant difference between the mean values of the owner's age and the entrepreneurial start-up variables of culture,

self-efficacy, entrepreneurial orientation, entrepreneurial intention, business performance and business support.

### **Hypothesis 9 (H<sub>0</sub>9)**

- **H<sub>0</sub>9 (1–6):** There is no statistically significant difference between the mean values of the business size and the following entrepreneurial start-up variables: culture (H<sub>0</sub>9:1), self-efficacy (H<sub>0</sub>9:2), entrepreneurial orientation (H<sub>0</sub>9:3), entrepreneurial intention (H<sub>0</sub>9:4), business performance (H<sub>0</sub>9:5) and business support (H<sub>0</sub>9:6).
- **H<sub>0</sub>9:3 (i–v):** There is a statistically significant difference between entrepreneurial orientation and the following business size strata: one to five employees (H<sub>0</sub>9:3-i), six to 50 employees (H<sub>0</sub>9:3-ii) and 51 to 100 employees (H<sub>0</sub>9:3-iii), 101 to 200 employees, (H<sub>0</sub>9:3-iv) and more than 200 employees (H<sub>0</sub>9:3-v).

### **Hypothesis 10 (H<sub>0</sub>10)**

- **H<sub>0</sub>10 (1–6):** There is no statistically significant difference between the mean values of business age (the period the business is in operation) and the entrepreneurial start-up variables culture (H<sub>0</sub>10:1), self-efficacy (H<sub>0</sub>10:2), entrepreneurial orientation (H<sub>0</sub>10:3), entrepreneurial intention (H<sub>0</sub>10:4), business performance (H<sub>0</sub>10:5) and business support (H<sub>0</sub>10:6).
- **H<sub>0</sub>10:5 (i–iv):** There is a statistically significant difference between business performance and the age category of under one year (H<sub>0</sub>10:5-i); one to four years (H<sub>0</sub>10:5-ii); four to 10 years (H<sub>0</sub>10:5-iii); 11 to 20 years (H<sub>0</sub>10:5-iv) and more than 20 years (H<sub>0</sub>10:5-v).

### **Hypothesis 11 (H<sub>0</sub>11)**

- **H<sub>0</sub>11 (1–6):** There is no statistically significant difference between the mean values of the owner's education and the six entrepreneurial start-up variables of culture (H<sub>0</sub>11:1), self-efficacy (H<sub>0</sub>11:2), entrepreneurial orientation (H<sub>0</sub>11:3),

entrepreneurial intention (H<sub>0</sub>11:4), business performance (H<sub>0</sub>11:5) and business support (H<sub>0</sub>11:6).

- **H<sub>0</sub>11:5 (i–v):** There is a statistically significant difference between business performance and education strata: Grades 1 to 7 (H<sub>0</sub>11:5-i), Grades 8 to 12 (H<sub>0</sub>11:5-ii), diploma (H<sub>0</sub>11:5-iii), degree (H<sub>0</sub>11:5-iv) and others (H<sub>0</sub>11:5-v).

### **Hypothesis 12 (H<sub>0</sub>12)**

- **H<sub>0</sub>12 (1–6):** There is no statistically significant difference between the mean value of gender and the entrepreneurial start-up variables of culture (H<sub>0</sub>12:1), self-efficacy (H<sub>0</sub>12:2), entrepreneurial orientation (H<sub>0</sub>12:3), entrepreneurial intention (H<sub>0</sub>12:4), business performance (H<sub>0</sub>12:5) and business support (H<sub>0</sub>12:6).

These hypotheses are stated within the study's literature, in line with the area under discussion, and not necessarily in the sequence in which they are stated above.

## **1.6 THE DEFINITIONS OF THE CONSTRUCTS AND CONCEPTS**

For the purpose of this study, the following constructs and concepts are used as defined below:

### **1.6.1 Culture**

Culture is a shared, learned, symbolic system of values, beliefs and attitudes that shapes and influences perception and behaviour. The concept of culture as used in this study is based on the work by Hofstede (2001) who posits that human problems and their solutions are limited in number. Hofstede (2001:147) found statistical evidence for four underlying dimensions of culture, together with consequences, that reflect a society's culture in the institutions and behaviour it maintains. The four cultural dimensions are: (1) high individualism, (2) high masculinity, (3) lower power distance and (4) lower uncertainty avoidance.

### **1.6.2 Motivation**

The most familiar theories of individual motivation were formulated by the psychologist Abraham Maslow. Theories of human behaviour are based on careful observations and consequently theory and practice are usually closely related. Although theories can never predict behaviour with absolute certainty, there are many variables to take into account to give one a good indication of how people might behave in various circumstances. Motivation is what drives people to behave in different ways (Smith, Cronje, Brevis & Vrba, 2007:347). People are not always aware of what motivates them; they behave in ways that seem right under the circumstances. Smith et al (2007:347)'s definition of motivation was used for this study.

### **1.6.3 Self-efficacy**

In this study, the construct of self-efficacy builds on the underlying mechanisms of self-efficacy beliefs identified in the social cognitive theory. The theory of self-efficacy is advanced by Bandura and his colleagues (Bandura, 2001:122) to explain an individual's variability in attaining goals. The strength of these beliefs and certainty with which they are held are personal self-efficacy beliefs relative to that set of challenges. Entrepreneurial self-efficacy is a construct that measures people's belief in their ability to successfully launch an entrepreneurial venture.

### **1.6.4 Entrepreneurial intention**

The construct "entrepreneurial intention" is based on Krueger's work and was tested in Shapero's conceptual model. Krueger (1993:58) tested Shapero's conceptual model of entrepreneurial intention and found that perceived desirability directly and positively influenced entrepreneurial intention. He even claimed that attitudes are particularly relevant to our understanding of how various exogenous factors influence entrepreneurial intention. Bandura and Krueger's definition of entrepreneurial intention as a commitment one makes to start a new business is used in this study.

### **1.6.5 Entrepreneurial orientation**

Entrepreneurial orientation refers to a business's strategic orientation in acquiring specific entrepreneurial aspects of decision-making styles, practices and methods.

Wiklund and Shepherd (2005:90) found that entrepreneurial orientation enables small companies or new ventures to perform better than their competitors and to enhance company performance. They argue that entrepreneurial orientation leads to higher performance and businesses that adopt a strong entrepreneurial orientation perform better than businesses that do not adopt an entrepreneurial orientation. Research suggests that there are three dimensions of entrepreneurial orientation which may vary from one another. They are risk-taking, innovation and proactiveness (Lumpkin & Dess, 2001: 439). Wiklund and Shepherd's definition of entrepreneurial orientation as the entrepreneurial strategy-making process that key decision-makers use to enact their business's organisational purpose, sustain its vision and create competitive advantage was adopted for this study. Entrepreneurial orientation can also be applied to an individual.

#### **1.6.6 Business performance**

Some studies suggest using a combination of financial and non-financial measures to offer a more comprehensive evaluation of a business's performance (Li, Huang & Tsai, 2009:442). Subjective non-financial measures include indicators such as perceived market share, perceived sales growth, customer satisfaction, loyalty and brand equity (Li, Huang & Tsai 2009:442). Murphy, Trailer and Hill (1996:15) examined 51 published entrepreneurial studies using performance as the dependent variable and found that the most commonly-considered dimensions of performance were related to efficiency, growth and profit. Business performance is achieved when an organisation generates the maximum level of profitability possible, given the human, financial, capital and other resources it has. It is measured in terms of an increase or decrease in business income, business profits, business expenses, market share, return on income, number of employees and product lines.

#### **1.6.7 The entrepreneur**

Nieman and Nieuwenhuizen (2009:9) define an entrepreneur as a person who sees an opportunity in the market, gathers resources, and creates and grows a business venture to meet customer needs. Important aspects of entrepreneurship they identify are:

- *Identifying an opportunity*: This means that there must be a real business opportunity.
- *Innovation and creation*: Something new and different is required or created.
- *Getting resources*: Capital, labour and operating equipment must be found.
- *Creating and growing a venture*: This involves starting a new business venture or converting an existing business.
- *Taking risk*: This refers to the personal and financial risks involved in embarking on the entrepreneurial process.
- *Being rewarded*: Reward is an essential element of the free market system and can be in the form of profit or an increase in the value of the business.
- *Managing the business*: This means there must be planning, organisation, leadership and control of all the management functions in the business.

Nieman and Nieuwenhuizen's definition of an entrepreneur was adopted for this study. The individual or individuals who have started and are operating small, medium, macro-enterprises or ventures are (in this study) considered to be entrepreneurs. There is no distinction made between a small business owner and an entrepreneur.

### **1.6.8 Entrepreneurship**

Entrepreneurship is both complex and controversial, as there is no universal agreement on the definition. There are a number of other definitions of this concept, including: Entrepreneurship is the emergence and growth of new business. It is the process of bringing about changes in the economic system through the innovations of individuals who respond to opportunities in the market (Nieman & Nieuwenhuizen, 2009:9). Entrepreneurship is the way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach and leadership-balanced for the purpose of value creation and capture (Timmons and Spinelli, 2009:101).

Entrepreneurship is any attempt by individuals to start a new business, including any attempt for self-employment (GEM, 2007:80).

In this study, Schumpeter's definition of entrepreneurship was used. He defined entrepreneurship as innovation or carrying out unique combinations of resources to create new products, services, processes, organisational forms, sources of supply and markets (Schumpeter, 1934:195). This definition captures the aspects of thinking and behaviour, innovation and creation, as well as resource combination to exploit the identified opportunity, as indicated in the cited definitions.

#### **1.6.9 A small business**

A small business or enterprise is any business that is independently owned and operated, but is not dominant in its field and does not engage in any new marketing or innovative practices. The study used the definition in the Small Business Amendment Act 29 of 2004 whereby a small business is defined as a separate and distinct business entity (together with its branches or subsidiaries, if any), including co-operative enterprises and non-government organisations, managed by one owner or more which is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, very small, small or medium enterprise. These enterprises are likely to operate from business or industrial premises, are registered for tax and meet other formal registration requirements. They employ fewer than 50 full-time employees and have a total turnover of between R2 million and R6 million and gross assets of between R1 and 75 million (South Africa. 1996).

#### **1.6.10 A medium business**

This is an enterprise that has a more complex management and ownership structure than a small business, but is still owner/manager-controlled. Tustin (2003:12) explains that in these businesses power is often decentralised in other divisions. They employ fewer than 200 employees and have a total annual turnover of between R6 million and R25 million, depending on the industry sector, and total gross assets of not more than R7, 5 million (South Africa, 1996).

#### **1.6.11 A micro-enterprise**

These businesses consist of only the owner, some members of the family and at most one or two paid employees. They usually lack formality in terms of business licences, value-added tax, registration and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators. Micro-enterprises employ no more than five employees and have a turnover of at most R150 000 and gross assets of R100 000 (South Africa, 1996). A very small business is larger than a micro-enterprise.

#### **1.6.12 A very small business**

Very small businesses refer to self-employed persons and enterprises that employ a limited number of employees. They operate in the formal market and have access to modern technology. These businesses have a turnover of between R150 000 and R2 million and gross assets of R600 000 (South Africa, 1996).

#### **1.6.13 Success**

The concept of success is both complex and controversial, as there is no universal agreement on the definition. Wickham (2004:123) defines success as the measure of achievement of an organisation that performs. The measure of achievement includes surviving the “three-year death valley” (Dockel & Ligthelm, 2005:54). The definition of success also applies to the individual.

#### **1.6.14 An immigrant**

Immigration is the movement of people from one nation state to another where they are not citizens. It implies long-term permanent residence by the immigrants (Nestorowicz, 2011:12). For the purpose of this study, the words “immigrant”, “foreign national”, “foreigner” and “self-employed migrant” refer to the same concept. In this study, “naturalised” immigrants are still considered immigrants and not locals or citizens.

### **1.7 THE DELIMITATIONS OF THE STUDY**

The study was limited to SMEs. This sector is fast-growing and is the most effective and significantly-contributing vehicle for economic development. Survivalist and micro-enterprises were excluded from the study. These are entities, according to the small business Act 102 of 1996 categorisation, which are smaller and more informal than the “very small businesses”.

The study focused on SMEs in the Greater Johannesburg Metropolitan Council, Ekurhuleni Metropolitan Council and the City of Tshwane Metropolitan Municipality of the Gauteng Province. The population of the three metros make up 97% of the province total. The province contributes 33% to the national economy and a phenomenal 10% to the GDP of the entire African continent (StatsSA, 2011:15).

## **1.8 SUMMARY AND OUTLINE OF THE STUDY**

Chapter 1 serves as an orientation to the study. This chapter provides the context against which the study was conducted. It explains the reasons for undertaking the research in the form of the rationale for the research, the research problem and problem statement, the aim and objectives of the study, and delimitation of the study.

Chapter 2 is a review of the cultural influences on entrepreneurship and the constructs of self-efficacy and entrepreneurial intention in the context of entrepreneurial motivation.

Chapter 3 is a review of immigrant entrepreneurship. In this chapter, the reasons why immigrants’ business performance differs from the business performance of South Africans are investigated.

In Chapter 4, the research design and methodology used in the study are further explained. The questionnaire used to collect the data is discussed in detail.

In Chapter 5, the data analysis and results of the study are explained. The results are presented and also interpreted.

Chapter 6 provides a summary of the research and concludes with suggestions and recommendations for future research.



## **CHAPTER 2**

### **ENTREPRENEURSHIP, ENTREPRENEURIAL INTENTIONS, MOTIVATION, SELF-EFFICACY AND CULTURE**

#### **2.1 INTRODUCTION**

This chapter contains the literature analysis which is aimed at guiding the study on entrepreneurs in SMEs in Gauteng. The chapter starts with a brief discussion of entrepreneurship and the entrepreneur, to adopt the process approach to entrepreneurship. The environment in which South African entrepreneurs in SMEs operate is discussed in detail. The factors identified in the literature as likely to influence business start-up are discussed, together with the way in which these factors lead to business success. The theoretical foundation of this study is based more on entrepreneurial intention, motivation, culture and self-efficacy literature. Based on the exploratory study, a model of entrepreneurial intention fit, is presented.

Given the vast amount of literature on business success, this chapter should not be regarded as a comprehensive review, but merely as serving to highlight the importance of issues relating to the research topic. The focus of this literature review is to outline the logic used for the selection of questions/variables for the research questionnaire. To determine the concepts to be included in the theory of the study, a comprehensive number of scholarly works (including textbooks, articles in leading academic journals and annual conference proceedings in disciplines such as entrepreneurship, social psychology, economics, marketing, management, organisational behaviour and organisational theory) was used.

The chapter is structured in six sections:

- 1) In Section 1 the establishment and nature of entrepreneurship are investigated. This is a brief discussion on the nature of entrepreneurship, small business and the entrepreneurial process.
- 2) In Section 2 the intention to start a business is investigated. This is a brief discussion of the factors that influence a person to start thinking about

establishing a business. A model on entrepreneurial intention was based on this factor.

- 3) In Section 3 the factors that motivate an individual to start a business are investigated. This is a brief discussion of the motivating factors for starting a business.
- 4) The individual's self-belief when starting a business is investigated in Section 4.
- 5) In Section 5 the cultural background of individuals who start a business is discussed.
- 6) Section 6 is the conclusion of the chapter in which the above factors are linked to one another.

Since the study is concerned with entrepreneurial motivation or intention, a review of attempts by researchers in the field to formulate or reformulate the definitions of entrepreneurship and entrepreneurs is unnecessary. No new definitions are proposed in this study, as so many definitions already exist. The measure of entrepreneurial intention/motivation is emphasised. This is consistent with the study's design methodology and hypotheses in that the main concern is with the motivation and intention of immigrant and local entrepreneurs to embark on entrepreneurship. New venture creations are direct outcomes of individual motivation/intention and actions. Shane and Venkataraman (2001:218) suggest research should focus on the central question that affects the entrepreneur: Why, when and how do some people – and not others – discover and exploit opportunities? The difference between the concepts of entrepreneurship, entrepreneur and small business is discussed below.

## **2.2 THE ENTREPRENEUR, ENTREPRENEURSHIP AND SMALL BUSINESSES**

Entrepreneur and entrepreneurship are two related concepts which are used interchangeably. When we talk about entrepreneurs, we are interested in their particular behaviours, attributes and skills. But when we talk about entrepreneurship, we have a process in mind – a process which involves specific outcomes relating to the introduction of new economic activity. Stokes, Wilson and Mador (2010:30) point out that human beings have behaviours, attributes and skills which can be developed through learning. If this learning involves business start-ups or innovation and creativity, this is entrepreneurial education. However, there is confusion about what exactly

entrepreneurship entails, since there is no consensus on the definition of entrepreneurship.

Nowadays, entrepreneurship is one of the rare subjects that attract specialists from a wide range of disciplines, leading them to discuss and observe what others are doing in related disciplines. Timmons and Spinelli (2009:101) define entrepreneurship as a way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach and leadership-balanced for the purpose of value creation and capture. Entrepreneurship results in the creation, enhancement, realisation and renewal of value not just for the owners of a business, but for all participants and stakeholders. It requires a willingness to take risks – both personal and financial – but in a very calculated fashion in order to constantly shift the odds of success, balancing the risk with the potential reward. Hisrich, Peters and Shepherd (2010:6) define entrepreneurship as the process of creating something new with value by devoting the necessary time and effort; assuming the accompanying financial, psychic and social risks and uncertainties; and receiving the resulting rewards of monetary and personal satisfaction.

In the theory of the entrepreneur and entrepreneurship, as developed by Schumpeter in the texts he wrote between 1911 and the 1940s, entrepreneurs are viewed as a small minority of individuals (whom he calls the “new men and their actions”) who shake a given equilibrium through their ability to see new opportunities that are lying around in the passive economic sphere. Schumpeter (1934:257) sees entrepreneurship as a distinct function that is not personified by a single person. In this study, the researcher explores Schumpeter’s work from the perspective of the entrepreneurial action of an agent who, by deciding to challenge a given equilibrium or order, brings about a new way of doing things. The agent of change is an individual searching for new personal opportunities and is driven by the wish to change by recombining what he already possesses – given personal resources like virtues, knowledge, experience and education (Betta, Jones & Latham, 2010:232; Watson, 2013:4).

Individualistic theories of entrepreneurship seek to demonstrate that entrepreneurs are driven by goals and beliefs that are task-oriented and moderated by intentionality (Betta et al, 2010:233). Schumpeter (1934:406) adopted the concept of self-care, which describes a network of obligations towards oneself for reasons of establishing a new

self from an old one. The main characteristic of a technology of the self is the combination of self-care and self-knowledge in so far as one can care for oneself only when one knows oneself.

By drawing on Schumpeter's work, the researcher proposes a reading of entrepreneurship as the agency of an individual who attempts to become someone else. Such a process is activated by a wish to change something (destruction) in order to allow something new to emerge (construction). The will to change for the better implies a subjective display of practices of self-care and self-knowledge (Betta et al, 2010:233; Gupta, & Muita, 2012:86). The significance of this proposition lies in the notion that a change in personal life can be understood as resulting from the entrepreneurial process. Schumpeter saw the two types of change as one that comes from within which leads to development (innovation) and one that originates from a response to outside factors (which he calls adaptation) (Schumpeter, 1934:406).

Entrepreneurship involves individuals, groups of individuals or organisations, industries and society as a whole. Since entrepreneurship involves the production of new and innovative products and services and the creation of value for those involved, it is clear that we need to understand who and what is involved in bringing about new and innovative things (Stokes, Wilson & Mador,2010:31; Baltar & Icart, 2013:201; Shane, 2003:3). It is therefore important to take a closer look at the concepts of creativity and innovation.

### **2.2.1 Creativity is at the heart of entrepreneurship**

Most of the time, creativity and innovation are used to mean the same thing. Creativity is understood as the generation of new ideas or the ideation component of innovation (Stokes et al, 2010:31). Since creativity is all about coming up with the good ideas in the first place, innovation is said to be the successful exploitation of these new ideas. Creativity is therefore seen as both novelty and valuable, and innovation is seen as being concerned with any change as a result of some technological advance.

Creativity is in fact a central feature of entrepreneurship and without it there would not be any entrepreneurship. The conceptual starting point for entrepreneurship must be

our individual creative potential (Nieman & Nieuwenhuizen, 2009:56; Gupta, & Maita, 2012:87). An entrepreneur is seen as a special individual who delivers economic value for himself or herself and others.

Other entrepreneurship scholars contend that there is no entrepreneurship without the entrepreneur and that it remains worthwhile studying entrepreneurship at the individual level because entrepreneurs are energisers of the entrepreneurial process (Poon, Ainuddin & Junit, 2006:62). Stokes et al (2010:31) define an entrepreneur as an individual who takes the initiative to bundle resources in innovative ways and is willing to bear the risk and uncertainty to act. As indicated in Chapter 1 of this study, Nieman and Nieuwenhuizen (2009:9) define an entrepreneur as a person who sees an opportunity in the market, gathers resources, and creates and grows a business venture to meet consumer needs. Important aspects of entrepreneurship and the entrepreneur identified by Nieman and Nieuwenhuizen (2009:10) are listed in Section 1.6.7 of Chapter 1.

Schumpeter (1934:407) spoke of a small number of people who manage to move from the ideas of innovation to innovative action and said this group is “tempted by the act” through their psyche. According to Betta et al (2010:234), the Schumpeterian link between the psyche, the will and the action of the entrepreneur proposes that any innovative practices which lead to personal development and growth should be understood as a form of entrepreneurship. Betta et al (2010:235) argue that the individual who challenges or resists destiny and manages to establish a new personal order (person enterprise) is entrepreneurial. Authors like Verheul, Thurik, Grilo & van der Zwan (2012:326) pointed out that many people who want to change their bad habits to good habits encounter some opposition in their living context from friends who, through the changes in others, could themselves be confronted with their own static life. Individuals who question their own life patterns and work on new ones display entrepreneurial will and inventiveness. Personal change and development appear to be the results of a process that seeks a subversion of a given personal order which is unfit to produce life profit for the purpose of establishing a different person. Growth and profit carry a specific economic signature that is used to highlight the changes certain personal investments can produce in a person’s life.

Betta et al (2010:235) state that one's main interest in life and work is to become someone else whom you were not in the beginning. Schumpeter (1934:254) suggested that change is not just a question of capturing the new through the psyche, but also to display both will and action in order to trigger innovation. The work on oneself leading to a person enterprise is a form of entrepreneurship and is the agent that combines the others into a productive organism.

Researchers have therefore tried to summarise the characteristics an entrepreneur needs, but this remains a complicated task since entrepreneurs are different. The debate as to whether entrepreneurs are born (with certain entrepreneurial characteristics) or whether they acquire them through life experience and the entrepreneurial process is also still not conclusive.

### **2.2.2 The characteristics of the entrepreneur**

The characteristics of the entrepreneur are often said to be the most influential factor in the performance and competitiveness of SMEs (Gurol & Atsan, 2006:28). Studies on the entrepreneurial process have examined the entrepreneurial personality or psychological profile of the entrepreneur to find individual traits of successful entrepreneurs compared with non-entrepreneurs (Rwigema, Urban & Venter, 2008:64). Since there is not one all-encompassing personality profile of the entrepreneur, it is widely thought that there are certain characteristics that are necessary to meet the tasks and challenges of new venture creation without which the entrepreneurial process is hampered. The closer the match between the individual's personal characteristics and these required characteristics of being an entrepreneur, the more successful it is thought the individual will be (Markman & Baron, 2003:281). These characteristics are discussed below.

#### *(1) Passion*

People must pursue business activities they have a passion for. Entrepreneurs who pursue business activities they find interesting and fascinating are more likely to succeed (Nieman & Nieuwenhuizen, 2009:32; Shane, 2003:5). Entrepreneurs who are passionate about business have a strong commitment to their businesses and even if

they fail, they do not give up easily (Groenewald, Co, Mitchell, Nayager, Van Zyl, Visser, Train & Emanuel,2006:45).

(2) *Locus of control*

Entrepreneurs have an internal locus of control as opposed to an external locus of control. The locus of control refers to the degree to which an individual perceives the outcome of an event to be either within or beyond his or her personal control. An internal locus of control is the belief of entrepreneurs that they can control success and setback and that they can influence the results of their actions (Groenewald et al, 2006:46). People with an external locus of control believe that outside forces like luck, fate or powerful others control and determine the outcomes of what they do (Kunene 2008:50). Entrepreneurs have a high degree of autonomy and do not want to be told what to do by others (Nieman & Nieuwenhuizen, 2009:32; Vecchio, 2003:309).

(3) *Independence*

Entrepreneurs usually like to do things in their own way and have a difficult time working for someone else (Nieman & Nieuwenhuizen, 2009:33; Hisrich, Peters& Shepherd, 2010:63). Many people embark on entrepreneurship because they want to be their own boss. Entrepreneurs do not like to be tied down by rules and regulations.

(4) *Achievement*

Entrepreneurs are driven by a strong desire to succeed. They are very competitive and set themselves challenging goals because they want to excel. Entrepreneurs have a great need for achievement compared with individuals who are not entrepreneurs (Nieman & Nieuwenhuizen, 2009:32; Groenewald et al, 2006:46). Maslow's (1965:10)hierarchy of needs and conception of the socio-cultural dimensions that influence workers' attitudes towards work (motivation) are helpful in exploring theimplications of entrepreneurship development. His hierarchy of needs is explained below.

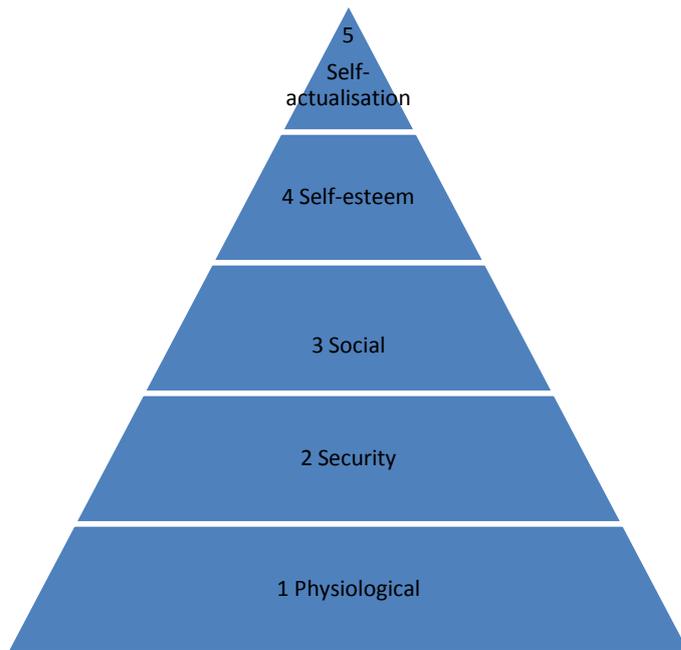


Figure 2.1: Maslow's hierarchy of needs

- *Level 1: Physiological needs.* These are basic survival and biological needs - for example, for food, drinks, clothes, shelter, sex and air.
- *Level 2: Security needs.* These are needs for self-preservation and the protection of others' futures, for example for employment.
- *Level 3: Social needs.* This refers to the need or desire to belong, the need for affiliation and the need to be part of a reference group.
- *Level 4: Self-esteem needs.* These are the needs for self-esteem, self-confidence, self-image and recognition by one's peers.
- *Level 5: Self-actualisation needs.* The desire to stretch one's capabilities includes the need for achievement, the need for self-fulfilment, and the need to develop one's own skills and to express oneself.

Of the above needs, the need to succeed in business is part of the level-5 needs for self-actualisation. It is linked with the need for achievement and accomplishment of goals as the driving trait in the personality of successful entrepreneurs (McClelland, 1961:322; Gupta, & Muita, 2012: 88). The need for achievement results in high ambition and self-drive which are necessary if entrepreneurs are to realise large goals against many odds (Kunene, 2008:49; Rwigema & Venter, 2004:54). The achievement motivation is linked

to personal self-efficacy, self-esteem, attitudes, optimism and hard work (Kunene,2008:49).

(5) *Risk-taking and uncertainty*

Entrepreneurs are risk-takers; they are aware of the risks they face and they manage those risks. They take calculated risks and not high or wild risks. They take risks after looking at all the factors and deciding whether their chances of success are high. Types of risks entrepreneurs face include financial risks (as they could lose the money they have invested in the business if the business fails), career risks and health risks like stress. They may put their families at risk because they may not have time to spend with them due to the amount of time it requires to start and manage a business (Groenewald et al, 2006:46; Niemand & Nieuwenhuizen, 2009:32;Vecchio, 2003:309).

(6) *Creativity and innovation*

Creativity refers to developing new and unusual ideas for products and services, while innovation refers to developing these new ideas into marketable products or services to take advantage of a business opportunity (Groenewald et al, 2006:46). Creativity and innovation are the key ingredients needed to establish a niche market and to determine an organisation's competitive edge (Rwigema & Venter, 2004:65).

(7) *Determination and persistence*

Entrepreneurs need determination and persistence to be able to continue trying in the face of difficulties. True entrepreneurs do not easily give up but learn from previous mistakes (Nieman & Nieuwenhuizen, 2009:33; Groenewald et al, 2006:46).

(8) *Ability to gather resources*

Entrepreneurs must have the ability to gather and control the resources necessary to start, run and grow a business. Those entrepreneurs who are successful are known to be resourceful (Hisrich et al, 2010:7).

(9) *Tolerance of ambiguity*

Rwigema and Venter (2004:65) state that since market conditions are uncertain and change continuously, the entrepreneur must be able to adapt. They need to adapt their ideas and new ventures due to uncertainty and ambiguity. Successful entrepreneurs display a higher tolerance of ambiguity than non-entrepreneurs (Gurol & Atsan, 2006:28).

(10) *Adapting to change*

When entrepreneurs find their environment destabilising, adaptability and flexibility become a critical strategy for the success of a venture (Rwigema & Venter, 2004:55). Andries and Debackere (2007:81) have found that an intolerant response to change can lead to denial, risk-averting behaviour and the imposition of arbitrary constraints and structures that stifle the owner's ability to adapt.

(11) *Self-efficacy*

This is the belief in one's ability to organise the necessary resources, skills and competencies to effectively execute action to attain a certain level of achievement in a given task (Markman & Baron, 2003:287; Kunene, 2008:50; Vecchio, 2003:309).

(12) *Opportunity alertness*

An entrepreneur has to discover and exploit new opportunities. A key factor in the success of an entrepreneur is the ability to spot opportunity and to quantify and refine it into a set of ideas with a positive impact (Rwigema & Venter, 2004:57). Opportunity alertness and identification is linked to creativity and innovation. In 2010 the GEM (2010:17) reported that South Africa had the lowest number of opportunity-based entrepreneurs in the GEM participating countries.

(13) *Optimism*

Rwigema and Venter (2004:59) emphasise that entrepreneurs are known to have eternal optimism and that this helps them to believe they will avoid well-known pitfalls. However, this quality can also lead to the optimism fallacy which contributes to business failure.

(14) *Problem-solving*

The way in which the entrepreneur solves or faces business problems determines the success or failure of his or her business (Rwigema & Venter, 2004:55; Kunene, 2008:53). Problem-solving skills include the ability to handle stress and time management.

(15) *Ability to learn*

Successful entrepreneurs have the capacity and ability to learn. Learning is the acquisition of knowledge by actors who are willing and able to apply new knowledge in decision-making or influencing others in the organisation (Kunene, 2008:53; Rogerson, 2004:785).

(16) *Motivation*

Stokes et al (2010:122) explain that if the entrepreneur's reason for starting the business originated in pull or opportunity-driven motives like the desire to exploit a market opportunity, the resulting enterprise is more likely to grow. However, if his or her reason for starting the business originated from push or necessity-driven motives such as unemployment, the resulting enterprise is more likely to fail. The commitment of the entrepreneur to grow also makes a difference.

(17) *Previous management experience*

The entrepreneur's previous experience in managing people and processes is valuable in maintaining growth (Stokes et al, 2010:122).

### *(18) Demographics of the entrepreneur*

The entrepreneur's age and education can influence the growth of the business. Entrepreneurs with higher educational qualifications are more likely to found high-technology and knowledge-based companies which tend to generate higher growth rates (Stokes et al, 2010:122; Gupta, & Muita, 2012: 89).

### *(19) Number of entrepreneurs involved*

A business founded by one person is less likely to grow than a business founded by a group of entrepreneurs (Stokes et al, 2010:123). In order for a business to grow, it needs to have access to a wide range of skills, experience and resources, and the entrepreneurial team is more likely to have the attributes needed than just one person.

According to Timmons and Spinelli (2009:110), entrepreneurship is a highly dynamic process that is opportunity-focused, driven by a lead entrepreneur and an entrepreneurial team, and is resource-parsimonious and creative.

There is a link between entrepreneurship and personality, because personality has powerful intuitive appeal that binds it to entrepreneurship. Entrepreneurial personality will be discussed below.

### **2.2.3 Assessing the entrepreneurial personality**

Gupta and Muita (2012:87) indicate that much of the personality-related entrepreneurial research was observed for traits to determine who is more likely to start a business. McClelland (1961) pointed out that entrepreneurs have a higher need for achievement than non-entrepreneurs. Many researchers are investigating why some individuals seem to be able to establish and grow profitable new ventures while others do not. To come to a solution to this problem, some authors like Kuratko and Hodgets (2007:114) have considered factors like personality, motivation, social capital, social networks, cognitive biases and heuristics, social models, intelligence, critical thinking ability and experience in the hope that research will lead them to an evolving understanding of

entrepreneurship. Kuratko and Hodgets (2004:115) state that entrepreneurship (E) in its simplest form should be considered a function of the entrepreneur (e), that is:  $E = f(e)$ .

*(1) The personality approach: characteristics and traits*

There is no consensus among scholars of entrepreneurship about the role of personality in entrepreneurial inclination. Wickham (2004:17) states that personality types like introvert, extrovert, aggressive, passive, internally or externally orientated (as measured by personality tests) do not correlate with entrepreneurial performance.

*(2) Personality as viewed by different schools of psychological thinking*

Wickham (2004:71–77) found that different schools of psychological thinking define, characterise and measure personality differently:

- The psychodynamic school sees personality as the result of a series of internal psychological processes, mostly unconscious, that determine human behaviour.
- The dispositional school claims that an individual has a tendency to act in a particular way in a particular situation; these features are referred to as personality traits.
- The biological school states that personality is a biological process dictated by one's genes.
- The premise of the evolutionary school is that modern human cognitive skills are the result of evolution through selective forces. They focus on the commonality of the personality of the species and not on the individual.
- The phenomenological school emphasises the uniqueness of each individual and prioritises subjective experience over objective classification. They do not even try to explain why some people are entrepreneurs and others not.
- The behavioural school focuses on what can be observed, but has been superseded by cognitive psychology.
- The social-cognitive learning school perceives personality as resulting from social experience and interaction. This school recognises the role of mentors and leadership, and personal learning styles and strategies.

- Attribution-based scholars suggest that personality is not possessed by the individual but awarded to the individual by others, based on levels of consistency, distinctiveness and consensus.

Wickham (2004:77) also found that from all the schools, no real evidence emerges that there is a single entrepreneurial personality. People of all personality types become successful entrepreneurs and exhibit ambition, drive, hard work and effort in learning to understand a business and practise as a manager. There is no single entrepreneurial personality profile.

Scarborough, Wilson and Zimmerer (2009:3) summarised studies that try to describe the entrepreneurial profile and elicited the following characteristics of entrepreneurs: the desire for responsibility, the preference for moderate risk, confidence in their ability to succeed, the desire for immediate feedback, high level of energy, future orientation, high degree of commitment, tolerance for ambiguity, flexibility and tenacity. It can be concluded that the entrepreneur has a multifaceted profile. Wickham (2004:78) concludes that it is a myth that to be successful, an entrepreneur must have a particular type of personality.

Vecchio (2003:306) pointed out that the scholarly literature on entrepreneurial behaviour, attitudes and predispositions is fairly substantial. He further highlighted that the fruit of these efforts is a set of five attributes that is invariably at the forefront of discussion of entrepreneurial profiles or the big five personality dimensions like risk-taking, need for achievement, need for autonomy, self-efficacy and locus of control.

### **Entrepreneur's "big five" personality dimensions**

#### **(a) Risk-taking propensity**

This is the decision-making orientation toward accepting greater likelihood of loss in exchange for greater potential reward. The risk-taking propensity can reasonably be expected to be included in any profile of what might make entrepreneurs distinctly different. Individuals who are led to believe they are highly competent at decision-making perceive greater opportunities in a risky choice situation and take more risks.

(b) Need for achievement

Studies of McClelland's classic conceptions of basic need yielded relatively more supportive findings of certain expected differences from other authors and the high achievement motivation has been associated with some aspects of venture performance (Vecchio, 2003:307).

(c) Need for autonomy

This is definable as the desire to be independent and self-directing.

(d) Self-efficacy

Borrowing from Bandura's work on social learning theory, individuals prefer situations in which they anticipate high personal control but avoid situations in which low control is anticipated. Extending these ideas to entrepreneurial activity, individuals who believe they are capable of performing the roles and tasks of an entrepreneur will engage in activities associated with firm start-up. People who are comparatively high on the dimensions of entrepreneurial self-efficacy should perceive more opportunities in a given situation, while people who are low on self-efficacy should perceive more costs and risks (Vecchio, 2003:308).

(e) Locus of control

Locus of control and self-efficacy are both cognitive dimensions that are based on notions of control, but locus of control is a much broader concept that may be independent of one's sense of task-specific efficacy. Shane (2003:4) pointed that there are two types of people: those with external locus of control, who believe that what happens to them is a result of fate, chance, luck or forces beyond their control; and those with internal locus of control who believe that for the most part, the future is in their control through their own effort.

#### **2.2.4 The entrepreneurial management of paradoxes**

The main task of the entrepreneur, according to Johannisson and Senneseth (1993:7), is managing paradoxes in the marketplace. The five paradoxes associated with entrepreneurship are:

- 1) Entrepreneurs are both dependent and independent. The entrepreneur's need for independence is an important determinant for the initiation of a new venture.

- 2) Entrepreneurship reflects both an organising process and a set of personal attributes. The important attributes of an entrepreneur are internal locus of control, self-confidence and willpower.
- 3) Entrepreneurship implies both evolution and revolution. Some authors see the entrepreneur as someone who revolutionarily exploits opportunities, while others see him as an experiential learner who balances success with mistakes.
- 4) Entrepreneurs are both prophets and actors. Entrepreneurs follow an intuitive-holistic approach to challenges and exhibit bias for action.
- 5) Entrepreneurial action is driven commercially and socially. Entrepreneurs always need feedback on their performance through increased wealth and recognition in their community.

Timmons and Spinelli (2009:63) state that entrepreneurs are optimistic and strive for integrity, thrive on the competitive desire to excel and win, and seek opportunities to improve any situation. They use failure as a tool for learning and believe that they can make a difference. Timmons and Spinelli (2009:47) identify seven dominant themes of desirable and acquirable attitudes and behaviours of entrepreneurs and these are outlined in Table 2.1.

The seven themes are to some extent a management of paradoxes, in that they are practised in different and often opposite extremes. For example, a good leader has to be a good follower as well and risk-taking has to be calculated and not gambling. The self-reliance drive has to be tempered with team building, tolerance and dependency on a number of stakeholders for results to be successfully attained.

*Table 2.1: Seven themes of desirable and acquirable attitudes and behaviours*

THEMES	ATTITUDE OR BEHAVIOUR
<b>1. Commitment and determination</b>	<ul style="list-style-type: none"> <li>• Tenacious and decisive; able to recommit</li> <li>• Intensely competitive in achieving goals</li> <li>• Persistent in solving problems; disciplined</li> </ul>

	<ul style="list-style-type: none"> <li>• Willing to undertake personal sacrifice</li> <li>• Immersed in the mission</li> </ul>
<b>2. Courage</b>	<ul style="list-style-type: none"> <li>• Moral strength</li> <li>• Fearless experimentation</li> <li>• Not afraid of conflict and failure</li> <li>• Intense curiosity in the face of risk</li> </ul>
<b>3. Leadership</b>	<ul style="list-style-type: none"> <li>• Self-starter; high standards but not perfectionist</li> <li>• Team-builder and hero-maker; inspires others</li> <li>• Treats others as he or she wants to be treated</li> <li>• Shares the wealth with all the people who helped create it</li> <li>• Honest and reliable, builds trust and practises fairness</li> <li>• Not a lone wolf</li> <li>• Superior learner and teacher; courage</li> <li>• Patient and urgent</li> </ul>
<b>4. Opportunity obsession</b>	<ul style="list-style-type: none"> <li>• Leadership in shaping the opportunity</li> <li>• Has intimate knowledge of customers' needs and wants</li> <li>• Market-driven</li> </ul>
<b>5. Tolerance of risk, ambiguity and uncertainty</b>	<ul style="list-style-type: none"> <li>• Obsessed with value creation and enhancement</li> <li>• Calculated risk-taker, risk-minimiser and risk-sharer; manages paradoxes and contradictions</li> <li>• Tolerates uncertainty and lack of structure; tolerates stress and conflict</li> </ul>
<b>6. Creativity, self-reliance and adaptability</b>	<ul style="list-style-type: none"> <li>• Able to resolve problems and integrated solutions; non-</li> </ul>

	conventional, open-minded, lateral thinker; restless with status quo; able to adapt and change; creative problem-solver; quick learner; no fear of failure
<b>7. Motivation to excel</b>	<ul style="list-style-type: none"> <li>• Able to conceptualise and sweat details; goal and results-oriented; high but realistic goals; drive to achieve and grow; low need for status and power; interpersonally supporting; aware of weaknesses and strengths</li> <li>• Has perspective and sense of humour</li> </ul>

(Source: Timmons & Spinelli, 2009:47)

In line with the observations in Table 2.1 above, Wickham (2004:18) identifies entrepreneurial behaviour as the result of a large number of factors grouped into three broad categories:

- 1) innate/internal factors like intelligence, creativity, personality, motivation and personal ambition
- 2) acquired factors like learning, training, experience in incubator organisations and mentoring existence of motivating role models
- 3) social factors like birth order, experiences in family life, socio-economic group and parental occupation, society and culture, and economic conditions

It is the entrepreneurial behaviour which drives the entrepreneurial process.

### **2.2.5 The entrepreneurial process**

The process of pursuing a new venture is embodied in the entrepreneurial process. The entrepreneurial process is the process of creating a new business with value by devoting the necessary time and effort; assuming the accompanying financial, psychic and social risks and uncertainty; and receiving the resulting monetary rewards and personal satisfaction (Hisrich et al, 2010:7). The entrepreneurial process has four distinct phases: (1) the identification and evaluation of the opportunity, (2) the

development of the business plan, (3) the determination of the required resources and (4) management of the resulting enterprise. These phases are discussed below.

- *Phase 1: Identify and evaluate the opportunity.* An opportunity is a gap left in the market by those who currently serve it. Timmons et al (2009:111) state that a good idea is not necessarily a good opportunity; a good opportunity is one that is attractive, durable, timely and anchored in a product or service that creates or adds value for the buyer or end user. Entrepreneurs can use the following to generate ideas: the entrepreneur's skills or expertise; common needs; existing unsolved problems; everyday activities and other sources. Converting ideas into opportunities requires that one evaluates each idea. Most entrepreneurs do not have formal mechanisms for identifying business opportunities. Some entrepreneurs use consumers and business associates, members of the distribution system and technical people. The opportunity assessment plan is one method for evaluating an opportunity. It includes the following: description of the product or service, assessment of the opportunity, assessment of the entrepreneur and the team, specification of all the resources needed to translate the opportunity into a viable business venture, and a source of capital to finance the initial venture and its growth (Nieman & Nieuwenhuizen, 2009:22; Hisrich et al, 2010:9).
- *Phase 2: Develop a business plan.* A good business plan must be developed to exploit the defined opportunity. A business plan is essential if one needs funding from financial institutions or venture capitalists. It helps to reduce the risks of the venture (Nieman & Nieuwenhuizen, 2009:22; Hisrich et al, 2010:9).
- *Phase 3: Determine the resources required.* The entrepreneur must determine the type of resources that will be needed to realise the opportunity. Resources that are critical need to be differentiated from those that are just helpful. The process starts with determining one's own resources and how much investment or loans one will need to attract or obtain to start operating (Nieman & Nieuwenhuizen, 2009:23).
- *Phase 4: Start and manage the enterprise.* After the resources are acquired, the entrepreneur must use them to implement the business plan. Operational

problems like implementing a management style and structure and determining the key variables for success must be examined (Hisrich et al, 2010:10).

These four distinct phases are summarised in the table below.

*Table 2.2: Phases of the entrepreneurial process*

<b>Phase 1: Identify and evaluate the opportunity</b>	<b>Phase 2: Develop the business plan</b>	<b>Phase 3: Obtain the resources required</b>	<b>Phase 4: Manage the enterprise</b>
<ul style="list-style-type: none"> <li>• Opportunity assessment</li> <li>• Creation and length of opportunity</li> <li>• Real and perceived value of opportunity</li> <li>• Risks and returns of opportunity</li> <li>• Opportunity versus personal skills and goals</li> <li>• Competitive environment</li> </ul>	<ul style="list-style-type: none"> <li>• Title page</li> <li>• Table of contents</li> <li>• Executive summary</li> <li>• Description of business</li> <li>• Description of industry</li> <li>• Technology plan</li> <li>• Marketing plan</li> <li>• Financial plan</li> <li>• Production plan</li> <li>• Organisation plan</li> <li>• Operational plan</li> <li>• Summary</li> <li>• Appendices</li> </ul>	<ul style="list-style-type: none"> <li>• Determine resources needed</li> <li>• Determine existing resources</li> <li>• Identify resources gaps and available suppliers</li> <li>• Develop access to needed resources</li> </ul>	<ul style="list-style-type: none"> <li>• Develop management style</li> <li>• Understand key variables for success</li> <li>• Identify problems and potential problems</li> <li>• Implement control systems</li> <li>• Develop growth strategy</li> </ul>

(Source: Hisrich, Peters & Shepherd, 2010:7)

Timmons and Spinelli (2009:110) developed the entrepreneurial process model shown in Figure 2.2 below. These scholars highlight how an entrepreneur creates a new venture with the three driving forces of opportunity, resources and team members. The core fundamental entrepreneurial process accounts for the substantially greater success pattern of ventures with higher potential. The success of the process depends on the fit and balance between the opportunity, the entrepreneur and his or her team, and the

resources; it is integrated and holistic, and it is sustainable (Timmons & Spinelli 2009:110). The controllable components of the entrepreneurial process can be assessed, influenced and altered. Investors look at these forces when analysing the risks involved and they determine what changes can be made to improve the venture's chances of success.

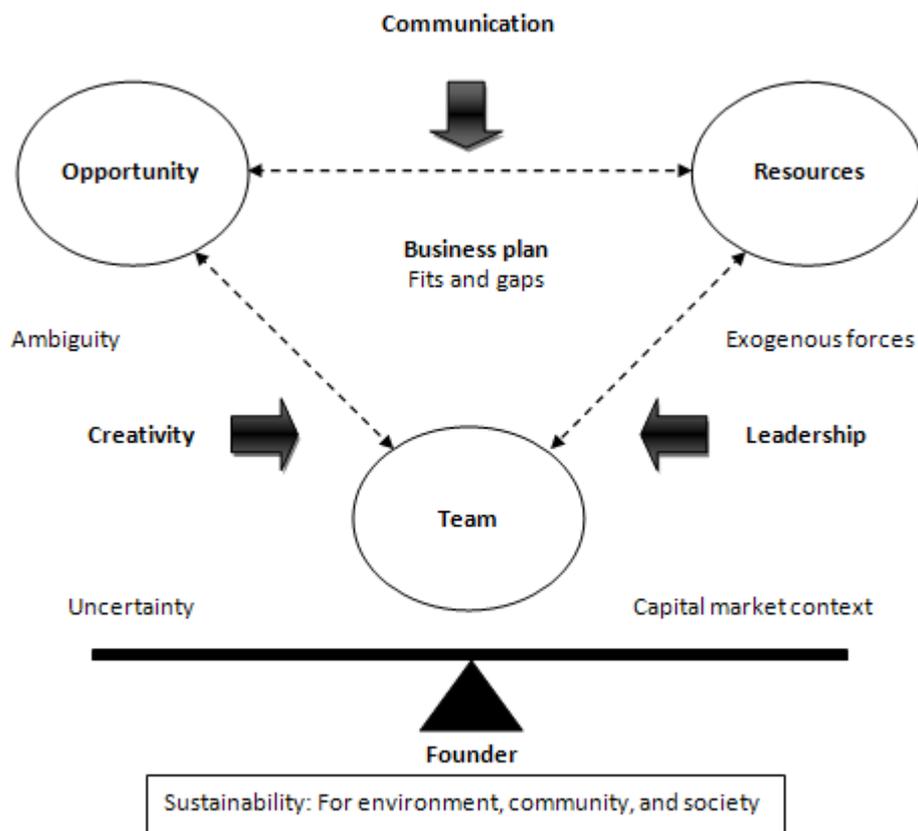


Figure 2.2: A model of the entrepreneurial process

(Source: Timmons & Spinelli, 2009:110)

Figure 2.2 above illustrates the driving forces underlying successful new venture creation. The process starts with opportunity and not with money, a strategy, networks, a team or the business plan. The role of the lead entrepreneur and the team is to juggle all the key elements in a changing environment (Timmons & Spinelli, 2009:111; Gupta, & Maita, 2012:90). The business plan provides the language and code for communicating the quality of the three driving forces.

To be able to understand entrepreneurship by looking at the above definitions, one should investigate the “who”, “what” and “how” of entrepreneurship. This means that one

should not only investigate the personality aspects but also the behavioural aspects of entrepreneurship. The difference between entrepreneurial enterprises and administratively-driven organisations are highlighted by Stevenson (2004:6) with regard to the six key business dimensions: strategic orientation, commitment to opportunity, commitment to the process, control of resources, management structure, and compensation and reward system. He concludes that entrepreneurs differ from the administrators of large organisations with regard to these six key business dimensions and formulates a process definition of entrepreneurship that incorporates these dimensions.

In Table 2.3 below, the entrepreneurial approaches to these dimensions (in the left column) are contrasted with the approaches of typical corporate administrators (in the right column). By looking at the first and second dimensions (strategic orientation and commitment to opportunity), it is clear that the entrepreneur is driven by the perception of an opportunity and responds quickly to change. The entrepreneur's role is to manage and redefine the risk-reward equation, all with an eye on sustainability.

*Table 2.3: Stevenson's process definition of entrepreneurship*

<b>Entrepreneur</b>	<b>Key business dimension</b>	<b>Administrator (large organisation)</b>
Driven by the perception of the opportunity	1. Strategic orientation	Driven by resources currently controlled
Quick commitment	2. Commitment to opportunity	Evolutionary with long duration
Multi-stage, with minimal exposure at each stage	3. Commitment process (risk taking)	Single-stage, with complete commitment upon decision
Episodic use or rent of required resources	4. Control of resources	Ownership or employment of required resources
Flat with multiple informal networks	5. Management structure	Formalised hierarchy
Value and team-based	6. Compensation and reward system	Resource-based, individual and promotion-oriented

(Source: Stevenson, 2004:6)

Early studies identified the third dimension of commitment process as risk-taking (Nieman & Nieuwenhuizen, 2009:32), but Stevenson (2004:7) highlights that entrepreneurs manage risk through multi-stage commitment to the opportunity. This corresponds to the needs of many resource providers, like venture capitalists, who expect positive results before continuing as providers (Swanepoel 2008:25).

In the fourth dimension in Table 2.3 (control of resources), different forms of resource control are distinguished. Entrepreneurs can, for example, get new forms of control in matching resources with unpredictable needs through the internet (such as alliances, partnership and market teams). The fifth dimension in Table 2.3 (management structure) focuses on the entrepreneur's ability to manage through a network rather than a hierarchy. In the sixth dimension of the table (compensation and reward system), the entrepreneur has greater flexibility – except during the early stages of the start-up enterprise when there is nothing to share.

Davidsson (2004:6) states that entrepreneurship consists of the competitive behaviours that drive the market process. This definition emphasises behaviour and includes an outcome which implies that the processes of discovery and exploitation are included. Entrepreneurship is supposed to be opportunity-driven rather than resources-driven.

## **2.2.6 Entrepreneurship versus small business management**

It is important to distinguish between entrepreneurship and small business because the two are not the same. Small business management is concerned with the management of an established business or a start-up business which is not necessarily new. Not all small businesses are entrepreneurial - for example, a person who opens a tuck-shop to supplement his income and keep him busy (Venter, 2008:8). There are no plans to grow the shop. For the sake of comfort or leisure, he may deliberately keep it small. Hisrich et al (2010:6) describe this as a "lifestyle organisation: a small business that supports the owners and does not grow".

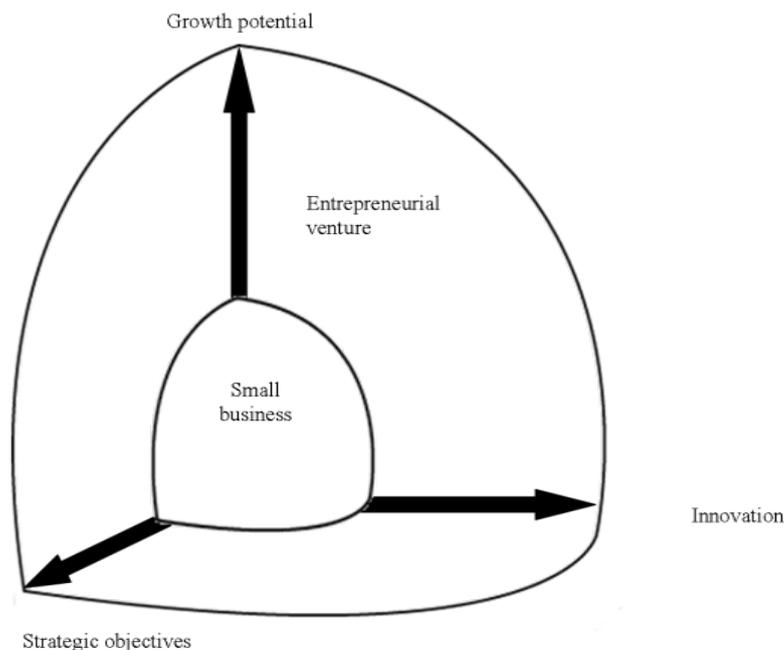
The three factors that distinguish entrepreneurial organisations from small businesses are innovation, growth potential and strategic objective (Wickham, 2004:24).

- 1) *Innovation*: An entrepreneurial venture is usually based on a significant innovation of differentiated offerings, marketing, distribution, the way the

organisation is structured and managed, or the way relationships are maintained between organisations. A small business is only involved in established markets, products or services while entrepreneurship is usually based on a significant new way of doing things.

- 2) *Potential for growth*: An entrepreneurial venture has greater growth potential than a small business. A small business operates within established markets, whereas an entrepreneurial venture has the potential to create its own market.
- 3) *Strategic objective*: An entrepreneurial venture distinguishes itself from a small business by its strategic posturing and setting of objectives, such as creating a sustainable competitive advantage, market development or growth, market share and market position.

It is possible that a small business can demonstrate one or even all of these characteristics, but the distinguishing key characteristic of the entrepreneurial venture is the strategic objective. Figure 2.3 below shows the difference between an entrepreneurial venture and a small business. The figure has three axes: growth potential, innovation and strategic objectives. It also shows that the extent to which these characteristics are shown by the entrepreneurial venture is much greater than in a small business.



*Figure 2.3: The difference between a small business and an entrepreneurial venture*  
(Source: Wickham, 2004:103)

There is no universal definition of a small business, since many authors define it differently. Scarborough and Zimmerer (2003:21) define a small business as any business that employs fewer than 100 people. In the USA, almost 90% of companies employ fewer than 20 people, while more than half of all businesses employ fewer than five people (Kuratko & Welsch, 2004:3). Moore, Petty, Palish and Longenecker (2010:7), define a small business in terms of the number of employees it employs, its sales volume and the value of its assets. In the National Small Business Act 102 of 1996, a small business is defined as a company with a labour force equal to or less than 50, a total annual turnover varying between R3 million and R35 million depending on the sector, and a total gross assets value varying between R1 million and R6 million, depending on the sector.

Small business owners are individuals who establish and manage their businesses with the principal purpose of furthering their personal goals and ensuring their security (Nieman & Nieuwenhuizen, 2009:10). A small business is any business that is independently owned and operated, but is not dominant in its field and does not engage in any new marketing or innovative practices.

### **2.2.7 The strategic role of small businesses in the economy**

In the developed world entrepreneurs are recognised as a key factor of economic development because they are innovative, take risks and employ people. They initiate change, create wealth and develop new enterprises (Du Toit, Erasmus & Strydom, 2009:49). More specifically, the strategic role of small businesses in any economy revolves around the following:

#### *(1) Producing products and services*

A small business combines its resources to produce products and services. Small businesses are more flexible and productive than many large companies (Du Toit et al, 2009:49).

## (2) Innovation

Most small businesses are innovative since much of the innovation work come from this sector. Statistics shows that most of the scientific work in the USA originated in small organisations and not in the laboratories of large organisations (Du Toit et al, 2009:50). Examples of innovative products created by entrepreneurs of small businesses are photocopiers, jet engines, insulin, helicopters, vacuum tubes, colour film, penicillin and personal computers.

More recently, entrepreneurs have created products and services such as cellphones, the internet and internet search engines like Google, microchips, MP3s players such as the iPod, and drag and draw digital paint sets.

## (3) Job creation

Many job opportunities are created by small businesses. The GEM (2010:56) reported that the service sector plays an important role in South African terms of both GDP and employment creation. The service sector is currently one of the fastest-growing sectors in many African economies. The service sector accounts for two-thirds of global employment and 20% of global trade (GEM, 2010:56). The table below shows the importance of the service sector as a key employment driver in South Africa.

Table 2.4: Employment in South Africa per sector

Sector	Employment (% of total)
Agriculture	05.2
Industry and construction	25.0
Services	69.8

(Source: GEM, 2010:56)

SMMEs are important because they contribute to the following:

- *GDP*. The SMMEs in South Africa comprise a high percentage of businesses and make a significant contribution to the country's GDP. They account for between 30 and 60% of the GDP of many countries (Tustin, 2003:7; GEM, 2010:13).

- *Economic development.* SMMEs are regarded as the engine that drives economic progress. They develop new markets, ensure the continuous renewal of industries that would otherwise stagnate and develop a vibrant commercial culture (Pretorius & Van Vuuren, 2003:415).
- *Wealth creation.* SMMEs create wealth by stimulating demand for investment, capital goods and training (GEM, 2010:17).
- *Local resources.* Rwigema and Venter (2004:67) indicate that most SMME products tend to originate from indigenous crafts that reflect local technologies, local raw materials and a local knowledge base.
- *The development of skills.* SMMEs provide opportunities for individuals to upgrade their human capital and realise their full potential (Nieman & Nieuwenhuizen, 2009:89).

### **2.2.8 The entrepreneur and economic development**

Hisrich & Brush (2009:34) point out that in his book, *Theory of economic development*, Schumpeter identified the entrepreneur as the prime mover of economic development due to the introduction of business innovations like new products, new techniques, new forms of organisation, new markets and new sources of materials. Several studies on the impact of entrepreneurship on economic growth confirm that entrepreneurship contributes to economic growth (Nieman & Nieuwenhuizen, 2009:4; Hisrich & Brush, 2009:23; Moore et al, 2010:480; Caree & Thurik, 2003:465).

### **2.2.9 The economic growth rate and entrepreneurial activity**

The GEM was established in 1997 as an organisation to make long-term comparisons between the entrepreneurial environments and activities in participating countries. South Africa joined this research project in 2001 when 29 countries were participating. The combined population of the participating countries numbered four billion, which was almost two-thirds of the world population. The GEM study is the biggest international study on entrepreneurship (GEM, 2010:2).

The 2010 GEM Global Report (2010:13) highlighted the relationship between a country's GDP per capita and the extent and nature of its entrepreneurial activity. It further reported that entrepreneurial activity affects economic growth and that the effect increases with per capita income. Swanepoel (2008:30) argues that even though their results mean that poorer countries fail to benefit from entrepreneurial activity, entrepreneurship should still be encouraged in these countries. The World Bank (World Bank, 2006:1) reported that of 60 000 poor people who were interviewed in more than 50 countries during a survey in 2006, the majority claimed they had escaped from poverty by starting their own businesses. According to the World Bank, jobs are a priority for countries emerging from conflict and jobs in the formal economy are a priority for countries in Africa which encounter obstacles in doing business.

Measuring TEA is one of the major methods the GEM uses to assess entrepreneurship in countries. When comparing South Africa's economy with those of other countries, its data present a worrying pattern. In 2003, South Africa's number of entrepreneurs as a percentage of the total labour force was 4.3, which is lower than the average percentage of 8.8 for all participating countries (GEM, 2003:5). In 2010, South Africa ranked 27<sup>th</sup> out of 59 countries, with a TEA rate of 8.9% – below the average (11.9%) of all participating countries. In all GEM's surveys, South Africa's performance in terms of relative position to other countries has consistently been below the median. South Africa's 2010 TEA rate of 8.9% was a significant improvement on its 2009 TEA rate of 5.9%; however, it was still below the average for efficiency-driven economies (11.7%) and significantly below the average for all middle to low-income countries (15.6%). Bosma and Levie (2009:4) argue that economic development is not the only factor that determines entrepreneurship rates; entrepreneurial attitudes and perceptions also play an important role in creating an entrepreneurial culture.

On the indicators of entrepreneurial attitudes and perception in efficiency-driven economies, South Africa also scored below average in 2010 (GEM, 2010:18). The country ranked in the bottom third of all efficiency-driven economies in terms of both perceived capabilities and entrepreneurial intentions. Von Broembsen, Wood and Herrington (2005:38) note that even though the TEA rate provides a quantitative assessment of entrepreneurial activity, it does not provide much information about the quality of entrepreneurship.

The important factor to look at is the proportion of start-ups or new companies to established businesses. South Africa's nascent entrepreneurial activity (that is, in new businesses and established businesses) is rated at 5.1%, which is below the GEM average of 6.4% and the average of 6.7% for efficiency-driven economies. The country achieved 3.9% in terms of new company activity, which is lower than the average of 5.9% for all GEM countries and 5.2% for all efficiency-driven countries. This and other figures showing a lower than average level of entrepreneurial activity in South Africa present challenges to all role players (government, the private sector and educators) for getting programmes that encourage entrepreneurship off the ground, so that this gap can be decreased (Groenewald et al, 2006:28; Gupta, & Muita, 2012:87).

Entrepreneurship plays an important role in building small businesses, while small businesses provide a suitable environment for the entrepreneur to implement new ideas and carry them into the market.

### **2.2.10 The business environment**

The new South Africa that was established in 1994 brought about drastic changes in business complexity. The democratisation of South Africa normalised the country's international relations, but at the same time exposed South African businesses to a borderless world in which they have to compete. Business organisations as a central component of the business environment are naturally subject to change. Environmental variables increasingly affect the environment in which business organisations operate and make decisions about investments and strategies to pursue. Throughout the world, business organisations are restructuring, outsourcing and trimming their workforces (Du Toit et al, 2009:90). Without these major changes, business organisations will not be able to align themselves with the realities of the changing external environment. The management of the business should align the organisation with the environment in which it operates for it to identify in advance the opportunities and threats environmental changes bring. To do this, management must first understand the composition and nature of the business environment.

### **2.2.10.1 Crucial factors in the business environment that contribute to the success of SMMEs**

Since businesses are not self-sufficient, they obtain resources from the society and environment in which they operate. Business organisations and the society and environment in which they function depend on each other. This relationship increases when certain variables in the environment bring about change which impacts in different ways on the business environment. Dockel and Ligthelm (2005:55) highlight that the success of a business is a function of a combination of both external and internal factors. External factors are also referred to as exogenous, environmental or contextual factors. The external factors are outside the control and influence of the management team and cover a number of issues, depending on the unique environment of the community where the business operates (Nieman & Nieuwenhuizen, 2009:34). Internal factors, which are also referred to as endogenous factors, are company-based and they cover personal and behavioural factors. Internal factors are controllable because they involve the decisions, behaviour and actions of entrepreneurs and their teams (Dockel & Ligthelm, 2005:56).

In the table below, the factors that are identified in the literature as endogenous and exogenous factors are highlighted and then briefly discussed.

*Table 2.5: Summary of the factors that influence business success*

<b>EXOGENOUS/EXTERNAL FACTORS</b>	<b>ENDOGENOUS/INTERNAL FACTORS</b>
<p><b>Economic factors:</b></p> <ul style="list-style-type: none"> <li>• Inflation</li> <li>• Unemployment</li> <li>• Exchange rates</li> <li>• Taxation</li> <li>• Business environment</li> <li>• Enterprise density</li> </ul>	<p><b>Demographic factors:</b></p> <ul style="list-style-type: none"> <li>• Company size</li> <li>• Company age</li> <li>• Community network</li> <li>• Organisational structure</li> </ul>
<p><b>Political-institutional factors:</b></p> <ul style="list-style-type: none"> <li>• Political instability</li> <li>• Judiciary</li> </ul>	<p><b>Human capital factors:</b></p> <ul style="list-style-type: none"> <li>• Personal characteristics</li> <li>• Abilities, capabilities and skills</li> </ul>

<ul style="list-style-type: none"> <li>• Public support</li> <li>• Bureaucracy</li> </ul>	<ul style="list-style-type: none"> <li>• Socio-demographics</li> <li>• Specific experience</li> </ul>
<p><b>Socio-cultural factors:</b></p> <ul style="list-style-type: none"> <li>• Access to public infrastructure</li> <li>• Access to money/capital</li> <li>• Access to technology</li> <li>• Access to labour</li> <li>• Health</li> <li>• Crime</li> <li>• Culture</li> <li>• Role models</li> </ul>	<p><b>Human demographic factors:</b></p> <ul style="list-style-type: none"> <li>• Age</li> <li>• Gender</li> <li>• Family background</li> <li>• Exposure to role models</li> </ul>

(Source: Kunene, 2008:12)

### **2.2.10.2 External or exogenous factors**

The macro-environment is external to both the organisation and the market environment. Simpson, Tuck and Bellamy (2004:484) define the macro-environment as containing factors that are external to the business and present situational variables which may facilitate or inhibit entrepreneurship at start-up and during the lifecycle of the SMME. These external factors present opportunities, threats and information affecting all entrepreneurs within the environment, regardless of their background, education or business concept. External factors include socio-demographic, market (local and international), legal, productive, technological and infrastructural factors (Badenhorst-Weiss, Cant, Du Toit, Erasmus, Grobler, Kruger, Machado, Marx, Mpofu, Rudansky-Kloppers, Steenkamp & Strydom, 2009:91).

Viviers, Eeden and Venter (2001:4) point out that the macro-environmental factors are not controllable and the success of the SMME often depends on management's ability to deal with them. But Peberdy and Rogerson (2000:21) postulate that the success of a new venture depends on specific factors within the boundaries of specific nation-states, including their own distinct economic, political and social factors. These factors have implications for education and skill bases; levels of risk; access to markets; and access

to resources which include inputs, labour, expertise, networks, capital and finance. These, then, influence the SMME's chances of survival or high performance.

In this study external factors are grouped into two categories: market and macro-environment issues. The market includes all productive opportunities and market attractiveness factors, while the macro-environment includes economic, socio-cultural and political-institutional factors.

(1) *Economic factors*

Every business's success depends on the state of the economy (Ligthelm & Cant 2002:5; Viviers et al, 2001:5; Nieman & Nieuwenhuizen, 2009:22). Examples of economic factors are inflation, the exchange rate, unemployment, taxation, the business environment and enterprise density. These factors are discussed below.

- *Inflation*: Entrepreneurship is highly affected by inflation in the country (Ligthelm & Cant, 2002:5; Viviers et al, 2001:5, GEM, 2010). South Africa's inflation rate of 5.5% in 2012 means that the value of wealth decreases and consumers have to tighten their belts. This means that there are fewer opportunities for entrepreneurs.
- *Unemployment*: A high unemployment rate pushes lots of people into entrepreneurship for survival (Nieman & Nieuwenhuizen, 2009:34). The high unemployment rate in South Africa means more people will opt for self-employment while the spending power is limited.
- *Exchange rates*: The weak South African Rand means that there are more opportunities in the export market and less capital for investing in local SMMEs. Exchange rates are a major factor in entrepreneurship (Viviers et al, 2001:6; Kunene, 2008:32).
- *Taxation*: Rogerson (2001:122) highlights that taxation in South Africa is another factor which inhibit SMME development. Profit incentives reduce if tax rates are high. The tax system is so complex that it even raises the costs of doing business because most SMMEs do not know how to deal with their tax returns. These

SMME owners have to turn to consulting experts to complete their tax returns, which incurs a fee (Viviers et al, 2001:7; Kunene, 2008:32).

- *The business environment*: It is important to put the new venture in the proper context by first conducting an environmental analysis to identify trends and changes that may impact on the new venture (Hisrich et al, 2010:203). The government is faced with the challenge of providing a business environment that support and promotes an entrepreneurial culture (Kunene, 2008:32; Gupta, & Muita, 2012:87).
- *Enterprise density*: This refers to the number of companies in a given population at a given time and to the percentage of existing and possible entrepreneurs (Panco & Korn, 1999:6). In 2010, the GEM (2010:14) reported South Africa's low enterprise activity of 8.9%, which was below the average of 11.9% for participating countries.

## (2) *Political-institutional factors*

In each country the political situation and legal requirements for doing business can enhance or block the development of entrepreneurship (Themba, Chamme, Phambuka & Makgosa, 1999:104). Examples are:

- *Political instability*: The business environment is easily affected by political instability in a country. People flood from countries where there is political instability to South Africa. Many immigrants start businesses and competition increases for local businesses.
- *The judiciary*: Ahwireng-Obeng and Piaray (1999:78) postulate that it is important for entrepreneurial development that entrepreneurs can rely on the judiciary because it will provide them with legal protection against malpractices by big businesses. The judiciary also provides legal protection against infringement of intellectual property rights.
- *Public support*: The government's support programmes for SMMEs should ensure that SMMEs get ongoing support in the form of knowledge and expertise to grow beyond their initial incubation period (Ligthelm & Cant, 2002:5). In South

Africa, many SMMEs have no idea about the existing government support mechanisms or how to access them.

### (3) *Socio-cultural factors*

These factors reflect the country's stage of development. Rogerson (2001:117) indicates that the social conditions and cultural aspects of the country may create a good environment for the development of SMMEs. The socio-cultural factors are discussed below.

- *Access to public infrastructure*: This refers to services like water, electricity, serviceable roads, telecommunication, telephones, electronic media and postal services (Rogerson, 1999:37; Clover & Darroch, 2005:242). Lack of access to infrastructure is a major constraint to the survival of SMMEs; it limits operations and restricts access to markets and raw materials (Clover & Darroch, 2005:327).
- *Access to money/capital*: Tustin (2003:126) indicates that the availability of appropriate economic resources is important for business development. Lack of capital and limited access to finance is a factor that inhibits entrepreneurship and influences growth negatively.
- *Access to technology*: Access to technology and technological discoveries bring about an increase in businesses built on quality assurance and high technological innovations and intellectual property. For SMMEs to compete globally, they need to have access to appropriate technology because an inability to secure technology at the start-up stage can impact negatively on entrepreneurship development (Clover & Darroch, 2005:243)
- *Access to labour*: Thornhill and Amit (2003:506) highlight that access to markets is a key factor of production that is crucial for entrepreneurship. The labourforce in South Africa is mainly unskilled and informal, while the available semi-skilled and skilled workers are expensive (Viviers et al, 2001:4)
- *Access to other economic resources*: According to Hisrich et al, (2002:263), in order for entrepreneurs to succeed, they must have access to economic

resources like suppliers, lawyers, bankers, training and all the intermediaries needed in the total value chain.

- *Health*: Rogerson (2003:767) highlights that healthcare influences entrepreneurship and the ability of the entrepreneur to work. Strydom and Tustin (2003:41) and Ligthelm and Cant (2002:5) indicate that HIV/Aids is a serious threat to SMMEs and has a negative effect on business success.
- *Crime*: A high crime rate increases the cost of doing business and has a negative effect on the investment level, sales and business success (Ligthelm & Cant, 2002:5; Strydom & Tustin, 2003:4), while low crime and security are prerequisites for business survival.
- *Culture*: The level of entrepreneurial activity in a country is affected by cultural norms (GEM, 2010:25). Rwigema and Venter (2004:68) state that national cultures that emphasise achievement and social recognition for all forms of entrepreneurial success are more conducive to entrepreneurship. Hofstede's study (1980) led to the development and explanation of four cultural dimensions. The cultural dimensions described by Hofstede are power distance, uncertainty avoidance, masculinity and individualism.
- *Role models*: Rwigema and Venter (2004:70) found that role models can inspire confidence and provide mentorship through advice and contacts to emerging entrepreneurs. They postulate that the societies which have the support of successful businesspeople that mentor young entrepreneurs to ensure that they learn by experience and develop sound business principles facilitate entrepreneurship.

### **2.2.10.3 Internal or endogenous factors**

The micro-environment (internal factors) consists of the business itself, over which management has complete control. The internal factors have an impact on business success (Du Toit et al, 2009:92). Variables in this environment include the vision of the business, various business functions and business resources – all of which are under direct control of management, company demographics, human capital and its demographics. Dockel and Ligthelm (2002:6) highlight that deficiencies in the internal environment are a major cause of failure of SMMEs.

### (1) *Company demographics*

The company demographics are the factors that can affect company survival (Kunene 2008:41). The company demographics are:

- *Company size.* Sometimes bigger companies follow unfair practices against small companies in competition. Small businesses find it difficult to survive in a highly competitive environment with their limited resources (Nieman & Nieuwenhuizen, 2009:90; Stokes et al, 2010:123).
- *Age of company.* A company's survival and growth may be affected by its experience in the business environment (GEM, 2010:24). New SMMEs face a greater risk to their survival than older companies, because new companies do not have the experience, access, links and legitimacy of older companies (GEM, 2010:25; Stokes et al, 2010:123).
- *Community networks.* Local government support for SMMEs benefits the success of SMMEs. SMMEs find it difficult to survive if they do not get support (Nieman et al, 2009:198).
- *Organisational structure.* Rwigema and Venter (2004:70) indicate that the organisational structure, its strategic choice and the methods by which the company was founded affect its survival and growth.
- *Product and competitiveness.* Product differentiation is a competitive strategy that helps in the survival, success and growth of a business (Thornhill & Amit, 2003:505; Kunene, 2008:42).

### (2) *Human capital*

In this section, the factors of human capital that are said to influence the success or failure of a new business are discussed. Human capital is the attitudes, commitment, values, knowledge, experience, education, capability, skills and abilities that help the entrepreneur in starting, running and growing a business (Kunene, 2008:42. Thornhill & Amit, 2003:505).

- *Socio-demographics*: These include the entrepreneur's background, like age, gender, race, family background, education, parental status, social values and beliefs, and exposure to role models
- *Specific experience*: This includes management know-how and specific industry knowledge from accumulated work habits and business experience. This brings an understanding of how business is done in a specific context of suppliers, competitors and customers in a specific industry (Kunene, 2008:45; Thornhill & Amit, 2003:505).
- *Personal characteristics*: These include all psychological and cognitive characteristics that influence the attitudes and mindset of entrepreneurs, like their intelligence, health, attractiveness, talents, personality, traits, achieved attributes and accumulated habits.
- *Competencies, capabilities and skills*: These include all existing and acquired knowledge which leads to certain behaviour and actions of entrepreneurs that enable them to identify and evaluate market opportunities (Kunene, 2008:45; Hofstede, 2001).

### (3) *Human demographics*

Thornhill and Amit (2003:505) highlight that the entrepreneur's demographics are one of the influential factors that relate to the performance and competitiveness of the SMME. These factors are:

- *Age*. According to the GEM (2010:24), the prevalence of early-stage entrepreneurial activities tends to be relatively low in the 18 to 24 years cohort, peaks among 25 to 34 year olds and then declines as age increases, with the sharpest decrease after the age of 54. Rwigema and Venter (2004:70) indicate that this reflects the interaction between the desire to start a business (which tends to reduce with age) and perceived skills (which tend to increase with age).
- *Gender*. The GEM survey of 2010 showed that South African men are 1.5 to 1.6 times more likely to be involved in early-stage entrepreneurial activities than women. The 2010 adult population data indicates a male TEA rate that is only 1.2 times higher than the female TEA rate.

- *Family upbringing.* Children who grow up in families where family members are entrepreneurs are more inclined to start their own businesses or become involved in the family business (Nieman & Nieuwenhuizen, 2009:12; Rwigema & Venter, 2004:475).
- *Role models.* The extent to which individuals are exposed to entrepreneurial activities in their direct circumstances, such as the activities of family members and role models, also increases the propensity towards entrepreneurship (Nieman & Nieuwenhuizen, 2009:12; Guzman & Santos, 2001:217).
- *Education.* Successful entrepreneurship has been linked to education. Tertiary education can provide valuable additional entrepreneurial capacity, especially for high-potential entrepreneurs (Nieman & Nieuwenhuizen, 2009:12; Rwigema & Venter, 2008:475).
- *Previous experience.* High entrepreneurship quality is often achieved through the entrepreneur's previous experience (Guzman & Santos, 2001:217). Previous experience includes work experience, business management experience and industry-specific experience.

Groenewald et al (2006:23) established that there are a number of factors that encourage or discourage individuals from pursuing entrepreneurial careers. These factors prevail because of various conditions in the country. They are indicated below.

### **2.2.11 Factors that encourage people to become entrepreneurs**

Factors that encourage people to pursue entrepreneurial careers include:

- the financial rewards for entrepreneurship
- the independence gained from working for yourself
- the sense of achievement gained from running your own business
- a desire to help improve the community through entrepreneurship
- being unable to be creative as an employee

### 2.2.12 Factors that discourage people from becoming entrepreneurs

Factors that discourage people from pursuing entrepreneurial careers include:

- not being able to get enough start-up capital
- the high interest charged for borrowing money
- the risk involved in starting a business
- legal restrictions and requirements, and the cost of meeting them
- a lack of suitably-trained and skilled potential employees
- fear of failure or bad performance

Being an entrepreneur seems to be an attractive career path to follow, but there are some aspects of being an entrepreneur that may not suit all people. It is therefore important to understand the advantages and disadvantages of being an entrepreneur. Groenewald et al (2006:51) identify some advantages and disadvantages of being an entrepreneur. These are discussed next.

### 2.2.13 Advantages of being an entrepreneur

The advantages of being an entrepreneur include:

- *Independence.* Entrepreneurs are only responsible to themselves, as they do not have to report to anyone. They have the opportunity to tackle various challenges using their own talents, skills and strength. They are satisfied with the fact that they are their own boss and in control of their own business (Groenewald et al, 2006:51).
- *Personal fulfilment.* Starting a business is something entrepreneurs enjoy doing most and it could provide personal fulfilment. The opportunity to find a new idea for a business, start a business, and make it profitable and successful could provide an entrepreneur with a sense of doing something that matters (Nieman & Nieuwenhuizen, 2009:32; Groenewald et al, 2006:51).
- *Financial rewards.* The entrepreneur is responsible for the success of the business. If the business is doing well, the business will get more profit and the

entrepreneur will become wealthy. The financial return of any business should make up for the personal time and personal savings invested in the business; it should be for the risk the entrepreneur takes in operating the business (Groenewald et al, 2006:51).

#### **2.2.14 Disadvantages of being an entrepreneur**

The disadvantages of being an entrepreneur include:

- *Long working hours.* In the initial stage of the business, the entrepreneur must spend many long hours working to get the business right. He has to spend long hours doing business and this leaves little time for friends and family. This results in high levels of stress and strain on the family relationships (Groenewald et al, 2006:52).
- *Working alone.* In order for the entrepreneur's business to succeed, he or she must understand the good and the bad of the business. The entrepreneur has to invest his or her money and/or life in the business to make it successful. He or she must ensure that there is money to pay the workers and creditors. If the business fails, the entrepreneur may lose his or her investment in the business (Groenewald et al, 2006:52).
- *The need for many skills.* Entrepreneurs need to be multi-skilled when they run a business. In the beginning, the business may not be profitable enough and then the entrepreneur must do everything himself or herself because he or she might not be able to afford to pay specialists. Entrepreneurs have to manage the finances and the employees of the business (Groenewald et al, 2006:52).
- *Few financial resources.* Small businesses mostly have very few financial resources. Their capital comes from the entrepreneur's savings. The business is unlikely to afford to pay for losses. The entrepreneur's poor or bad decisions could mean failure for the business (Groenewald et al, 2006:52).
- *Changing environment.* A business operates in a changing environment that is unreliable. The business environment may influence the continued and successful existence of the business. The entrepreneur should be comfortable with taking and managing risks, and with making decisions under conditions of uncertainty.

There are always factors over which entrepreneurs have little or no control, like the market and macro-environmental factors (Du Toit et al, 2009:93; Groenewald et al, 2006:52).

Wickham (2004:80) identifies the following tasks which differentiate entrepreneurs from non-entrepreneurs:

- Entrepreneurs are founders of organisations or make major changes in their organisational world.
- Entrepreneurs act innovatively, creating wealth and value.
- They identify and pursue market opportunities.
- Entrepreneurs apply their expertise and have a special ability to allocate scarce resources appropriately.

These factors, together with other multiple functions, put pressure on entrepreneurs to deal with multiple tasks in the absence of extensive resources. Additional tasks are: human resources management, procurement, secretarial services, facilities management, information technology, marketing management and administrative management. Though it is important that entrepreneurs outsource the non-core tasks in the business, it is often too costly for the entrepreneur to employ specialists in the different fields (Nieman, 2006:22).

Since South Africa first participated in the GEM in 2001, there have been a number of critical factors which inhibit entrepreneurial activity. These factors are discussed below.

### **2.2.15 The main inhibitors of entrepreneurial activity in South Africa**

The main factors that inhibit entrepreneurial activity in South Africa include:

- *Education.* Education has been identified as a primary inhibitor of entrepreneurial activity in South Africa. The GEM (2001:3) reported that due to previous apartheid policies, in 1996 one in four black adults had no access to formal schooling at all and only 6% of all South Africans had a tertiary education. The GEM Global Report acknowledged that apartheid education

had damaged people's confidence and self-esteem, which impacted on their initiative and creative thinking. In 2010 South Africa was ranked 125th out of 139 countries with respect to the quality of its education. With regard to the quality of mathematics and science education, South Africa was ranked 137<sup>th</sup> out of 139 countries. The lack of access to research and development in the country has been highlighted by national experts as a factor constraining entrepreneurship. The lack of mathematically and scientifically literate students will decrease South Africa's potential to remain competitive in a knowledge economy. South Africa is ranked 125<sup>th</sup> out of 139 countries with respect to the quality of its education.

- *Government policies.* In 2010 the GEM (2010:32) reported that there was a high proportion of informal entrepreneurs who lacked the skills to comply with the legal and tax requirements for registered businesses. It was also reported that the inefficient government bureaucracy, the red tape associated with start-ups and managing a business, and restrictive labour regulations continued to be mentioned as areas of concern. Labour legislation should not only favour the employed, but should be flexible enough to allow the unemployed to successfully seek employment and to allow business to grow. The GEM (2010:33) reported that inflexible hiring and firing practices continued to give South Africa the lowest labour ranking (133 in 2009 and 135 in 2010).
- *Market openness.* South Africa is characterised by monopolies and lack of competition in areas like banks, steel, energy, telecommunications and retail. Larger enterprises prevent competition from developing beyond budding enterprises and are reluctant to open their supply chain to purchase from new small businesses. Smaller companies tend to be costlier, require more effort to develop a number of relationships and are often perceived as having a higher-risk profile (GEM, 2010:34). South Africa is still underperforming with respect to enabling a quarter of its population to benefit from access to electricity. This lack of access to electricity impedes individuals' attempts to become involved in business activities. The World Energy Outlook Report of 2010 reported that 12.5% of the population in South Africa lived without electricity (GEM, 2010:34).

- *Cultural and social norms.* In 2009 the GEM (2009:46) reported that in South Africa entrepreneurship was not sufficiently reported on and celebrated in the press, while sporting heroes received much coverage and respect. This meant that there were few role models for aspiring entrepreneurs, particularly in the black African community. However, the fear of failure among entrepreneurs was high because society was hard on legitimate businesses that failed.
- *Financial and business support.* In 2009 the GEM (2009:43) also reported that there was a lack of effective communication between entrepreneurs and financial institutions in the country, with institutions appearing to be unable to interact effectively with entrepreneurs. Government interventions were poorly implemented and ineffectively marketed. Supplying finance to inexperienced, poorly-skilled entrepreneurs is an ineffective use of scarce resources, especially if those individuals do not have the correct skills set to make effective use of the finance provided. The GEM (2010:31) acknowledged that not all individuals who are involved in some form of self-employment should be regarded as entrepreneurs. Most self-employed individuals start survivalist businesses as the only option for making a living. The reports indicated that lack of financial support had been widely reported as the main problem for entrepreneurs in South Africa.

The discussion on the entrepreneur, entrepreneurship and small businesses leads us to the fundamental question in the study of entrepreneurship: why are some people entrepreneurial and others are not? There is therefore a need to understand the entrepreneurial cognitive factors, intention, motivation and self-efficacy.

### **2.3 THE COGNITIVE PSYCHOLOGY OF ENTREPRENEURSHIP**

If the heart of entrepreneurship is an orientation toward seeking opportunities, then where does perception derive from (Stevenson, 2004:10)? Thus, if one wants to understand entrepreneurial cognition, it is imperative to understand the essence of entrepreneurship and how it emerges and evolves. Understanding the cognitive infrastructure underlying entrepreneurial activity also gives us a richer perspective on

how to nurture entrepreneurship (Sheperd & Krueger, 2002:165). And if we are to better understand the entrepreneurial process, then we need to better understand how opportunities manifest themselves as credible. Krueger (2000:68) argues that all people share the same basic cognitive processes, but entrepreneurs appear to face unique role demands that are accompanied by differences in the cognitive processes those role demands require.

Entrepreneurship requires an understanding of how to see opportunities and pursue them. One current debate in the field of entrepreneurship studies is whether opportunities are discovered or enacted (Krueger, 2000:67). If opportunities are enacted, we need to explore the cognitive processes whereby signals are taken from the environment and a personally-credible opportunity is constructed.

If people understand the cognitive processes associated with entrepreneurial thinking and action, they will have a tentative blueprint for influencing those processes (Krueger, 2000:68). One of the theoretical approaches to understanding how human beings apprehend and process data is intention: "Intentions: If we are interested in studying new ventures, then we need to understand the processes that lead up to their initiation. From a cognitive perspective, that entails a better understanding of the intent to initiate entrepreneurial activity. Psychologists found intentions to be highly useful in understanding behaviour"(Anscombe, 1998:64).

Studies on entrepreneurial self-efficacy have been undertaken by scholars such as Bandura (1986, 1997 and 2001) and Krueger and Brazeal (1994). Progress in the study of entrepreneurial intention has also been made and many studies that were based on principles of cognitive psychology have highlighted the important role of cognition in the development of intention. Mitchell et al (2007:27) identify three emerging research questions that are central to the study of entrepreneurial cognition: Why do some persons but not others choose to become entrepreneurs? Why do some persons but not others recognise opportunities for new products or services that can be profitably exploited? Why are some entrepreneurs much more successful than others? To answer these questions, this study focused more on the intention to start a business, the motivation to start a business, entrepreneurial self-efficacy and the cultural background of the entrepreneur.

This next section focuses on the entrepreneurial intention to start a business and entrepreneurial motives, values and beliefs in examining the relationship between national culture and entrepreneurial characteristics. Culture was included as an additional variable in the study to explain entrepreneurial intention. Self-efficacy reliably predicts the scope of career options considered, occupational interests, perseverance in difficult fields and personal effectiveness; it has been related to the pursuit of entrepreneurial activity (Urban, 2004:6). Bandura (2001:60) highlights that perceived self-efficacy is the strongest single predictor of career choice and self-reported competencies predict entrepreneurial performance. He argues that self-efficacy is influenced by different sources of information that are more or less persuasive, depending on a person's cultural values.

## **2.4 INTENTION**

An overview of intention is given below to clarify what the concept entails. The entrepreneur's intention to pursue a certain opportunity, enter a new market and offer a new product is explained.

### **2.4.1 Defining intention**

In literature an intention is identified as the best predictor of planned behaviour, particularly when that behaviour is rare, hard to observe or involves unpredictable time lags. But the term "intention" is somewhat obscured by its double meaning: the one meaning mainly relates to the cognitive component of psychological functioning and the other refers to its motivational aspect. Therefore, intentionality is a characteristic of psychological acts. The more current meaning of the term is related to motivational functioning, especially volition. In fact, an act can be intended or a person can intend to do something to the extent that acts and objects can be cognitively present. Intention and intended acts are situated at the pre-performance level of doing and intentional existence. Intention gives the motivational process a cognitive element that introduces explicit direction into behaviour dynamics (Ajzen, 1991; Farrington, Venter and Neethling, 2012:18).

Therefore, intentionality is rooted in socio-psychological theories of behaviour, where intention is a representation of a future course of action to be performed. Intention and action are two different aspects of a functional relation separated in time, where intention represents the belief that one will perform certain behaviour (Bandura, 2001). The two widely-recognised intention models which this research will focus on are the theory of planned behaviour (Ajzen, 1991) and the model of entrepreneurial intent (Shapero, 1984:7). The problem with regard to intention is the extent to which cognition and motivation intervene in building intended behaviour. It is often claimed that a subject who is motivated to become a psychologist may intend to study at a university without being motivated to study. In this case, studying would be an intended act without being an object of motivation. Both the above models, and Bandura's (2001) model, provide evidence that the construct of self-efficacy plays a role as an antecedent in promoting the perceived feasibility of ventures. Perceived self-efficacy is a major determinant of intention, even though the two models are separable.

#### **2.4.2 Entrepreneurial intention**

Entrepreneurship is the process of organisational emergence (Van Vuuren and Nieman, 1999). Entrepreneurial intention is crucial in this process and forms the first in a series of actions to organisational founding. The intention towards behaviour can be a strong indicator of that behaviour. The researcher's understanding of the entrepreneurial intention is guided by two models: Ajzen's (1991:24) theory of planned behaviour (TPB) and Shapero's (2000:39) entrepreneurial event model (SEE). The TPB was developed to explain individual attitudes towards an act, the subjective norm, and perceived behavioural control as antecedents of intention. The SEE was developed to understand entrepreneurial behaviour. The general rule of the two models is that the stronger the intention in a particular behaviour, such as choosing an entrepreneurial career path, the more likely the performance of that behaviour will be. (Farrington, Venter and Neethling, 2012:18). But Thomas and Mueller (2001) asserted that to advance entrepreneurial activity in a country, the population of that country should possess a sufficient number of attributes (personality traits, skills, aptitudes and desire) to motivate entrepreneurial behaviour or increase its likelihood. The likelihood of entrepreneurial behaviour and in

turn entrepreneurial activity in a country is thus likely to increase as the prevalence of entrepreneurial attributes in a given population increases.

Entrepreneurial intention is derived from perceptions of desirability, feasibility and a propensity to act upon opportunities. In this model (SEE), perceived desirability is defined as the attractiveness of starting a business, perceived feasibility as the degree to which an individual feels capable of doing so and propensity to act as the personal disposition to act on one's decisions. The TPB and SEE provide comparable interpretations of entrepreneurial intention (Krueger, 2000:57; Quan, 2012:946).

There are some cognitive models of entrepreneurship that have been tested using student samples. Researchers like Peterman and Kennedy (2003:83) postulate that entrepreneurial education was an important factor in influencing students' cognitive processes of perceived feasibility and desirability associated with becoming entrepreneurs. Feasibility and desirability perceptions have been argued to be instrumental in fostering positive entrepreneurial intention (Krueger, 1993:50). Low income earners in developing countries are more likely to enter entrepreneurship as the only option to survive or to maintain their income, compared to higher income earners in developed countries whose intention to become entrepreneurs is based predominantly on a desire to be independent or to increase their income. The 2008 GEM Global Report (2008:20) revealed that males and younger individuals in low and middle income and high income countries were more likely to start their own business; perceived capabilities and opportunities about entrepreneurship were related to early-stage entrepreneurial activity; and perceptions of national attitudes of entrepreneurship were related to early-stage entrepreneurship. Thus, this study suggests that:

There is no statistically significant difference between the mean value of entrepreneurial intention and gender:  $H_0^{12}$  (1–6).

There is no statistically significant difference between the mean values of entrepreneurial intention and owner's education:  $H_0^{11}$  (1–6).

Nieman and Nieuwenhuizen (2009:11 & 12; Quan, 2012:946) have identified that education, work experience, family and role models contribute to entrepreneurial intention. Krueger (1993:156) explains that perceived desirability refers to the degree of attractiveness one finds in starting one's own business and perceived feasibility is the

degree of personal competence one perceives in starting a business. Perceptions of the desirability of entrepreneurship are attitudes towards entrepreneurship. This has a significant and direct effect on intention. Krueger (1993:58) tested Shapero's conceptual model of entrepreneurial intention and found that perceived desirability directly and positively influenced entrepreneurial intention. He even claims that attitudes are particularly relevant to our understanding of how various exogenous factors influence entrepreneurial intention.

Lee and Tsang (2001:584) indicate that job satisfaction has been the subject of considerable interest in entrepreneurial research. Poor organisational conditions can trigger low job satisfaction and entrepreneurial intention is well documented within the push theory of entrepreneurship. Positive relationships between low job satisfaction and entrepreneurial intention are also well documented within the push theory of entrepreneurship. It is assumed that low job satisfaction can motivate most people to start a business and entrepreneurial intention can also be influenced by self-efficacy factors (Bandura, 1997:336). Self-efficacy is a person's judgement of his or her ability to execute targeted behaviour (Ajzen, 1991:26, Quan, 2012:947). Previous studies have identified self-efficacy as a key contributor to entrepreneurial intention, directly or indirectly through influencing perceived feasibility (Krueger, Reilly & Carsrud, 2005:59). Ajzen (1991:26) argues that intention predicts behaviour while, in turn, certain specific attitudes predict intention. Therefore, intention serves as a conduit to better understand the act itself. Intentions are important mediating variables between the act of starting a business venture and potential exogenous influences. Therefore, intentions towards behaviour are absolutely critical in understanding other antecedents. Thus, this study suggests that: There is significant correlation between entrepreneurial intention and self-efficacy:  $H_03b$ .

Lack of entrepreneurial culture and absence of a vibrant small and medium-sized enterprise sector in South Africa (Bandura, 2001:59) have inspired a search for explanations, hence intention is considered the best predictor of behaviour. The notion of intention and intentionality dates back to at least Socrates (who wondered why human beings might intend evil or stupid behaviour). Carsrud and Brannback (2009:54) state that there is a belief that intentionality exists at the core of human agency. In fact, one

recurring theme in most of the literature on intention is that all planned behaviour is intentional (Carsrud & Brannback, 2009:54; Farrington, Venter and Neethling, 2012:19).

Ajzen (1991:70) indicates that when behaviour is rare or difficult to observe, intention offers critical insights into underlying processes such as opportunity recognition. Behaviour is often predicted by attitudes alone or by exogenous factors that are either situational or individual. Exogenous influences usually affect intention and behaviour only indirectly through attitude changes (Ajzen, 1991:68). The exogenous variables influence attitudes and may also moderate the relationship between intention and behaviour -for example, exogenous factors may serve to inhibit one from realising the intent to be an entrepreneur. Intentions and their underlying attitudes are perception-based, which means they are learned. Intention is also an unbiased predictor of action, even where time lags exist (Krueger, 2000:81).

Krueger (1993:45) defines entrepreneurial intention as a commitment to starting a new business. People who become entrepreneurs have a particular set of motivational goals. Entrepreneurs stand out in terms of the issues they consider important and worth pursuing in life. Krueger (2000:130) also argues that intentional behaviour helps to explain why many entrepreneurs decide to start a business long before they scan for opportunities. The term “entrepreneurial intention” relates to entrepreneurial awareness, entrepreneurial potential, aspiring entrepreneurs, entrepreneurial proclivity, entrepreneurial propensity and entrepreneurial orientation. Bandura (2001:67) states that intention (general) is a representation of a future course of action to be performed; it is not simply an expectation of a future course of action, but a proactive commitment to bringing it about. Intention is centred on plans of action.

Both Bandura and Krueger call entrepreneurial intention the commitment one makes to start a business. Bandura (2001:70, Quan, 2012:946) also says that the entrepreneurial intention relates to entrepreneurial awareness, potential, proclivity, propensity and orientation. These factors influence an individual to start a business. Scholars like Shapero (1982:66) highlight other external factors which can also influence an individual’s intent to open a business. Social network is the main factor which can influence a person to develop entrepreneurial behaviour.

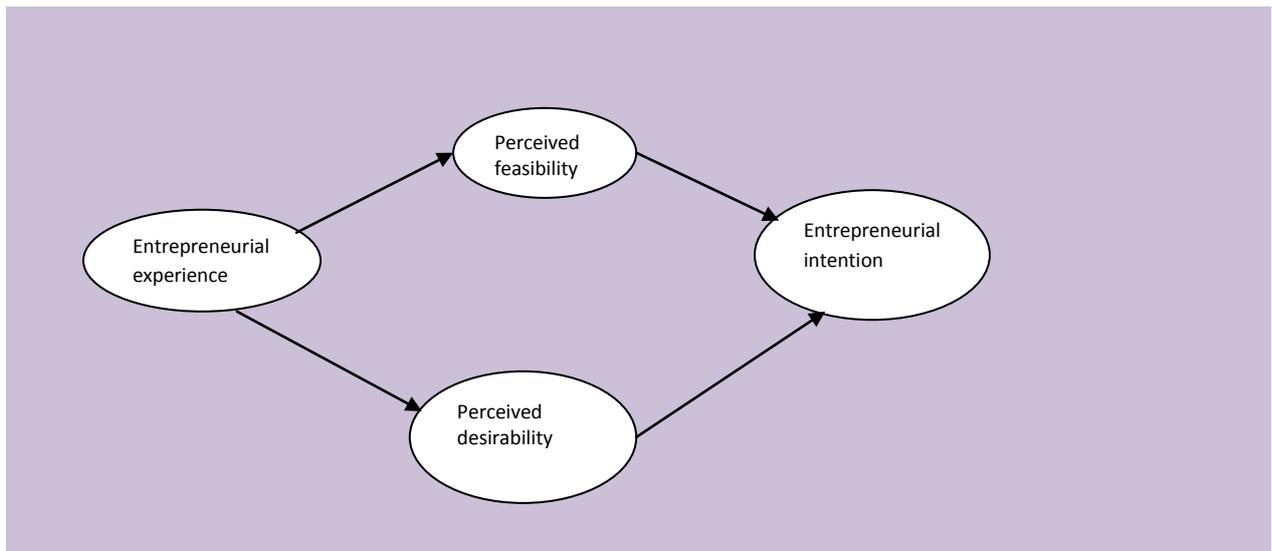
### **2.4.3 Social network and intention**

Some entrepreneurship scholars (Bird, 1988:89; Shapero, 1982:66) have theorised that a number of external factors like the social, political and economic context of a region or country influence entrepreneurial intention. Social networks can directly influence the interests, intentions and decision-making processes of nascent entrepreneurs. A social network is made up of persons to whom the individual primarily relates on a social level. Such individuals include family, friends or acquaintances (Sequeira, Muller & McGee, 2006:278).

The individual's social network can influence his or her intention to start a business. Social networks are typically conceptualised as a set of ties that connect individuals. According to Granovetter (1973:102), the strength of a tie is determined by the frequency of contact, reciprocity between individuals and friendship. Strong ties contain great emotional investment and exist among individuals who have frequent affective contact, such as family members and close friends. These strong ties often serve as sources of assistance in uncertain times and can influence, persuade and be relied upon when implementing a major change like planning a start-up.

Individuals learn values, attitudes, information and skills in their early years from their strong ties. Strong ties with business-related knowledge, skills and experience also provide access to specific information and resources that are necessary for business start-ups. The values, attitudes, information and skills gained from strong ties contribute towards increased entrepreneurial intention. Thus, the researcher argues that an individual with a supportive social network of strong ties will more likely develop entrepreneurial intention and engage in nascent behaviour than one who does not.

The Shapero model of entrepreneurial intention shows a direct path from entrepreneurial experience to entrepreneurial intention. It suggests that perceived feasibility and perceived desirability partially mediate the relationship between exposure to entrepreneurial experience and entrepreneurial intention.



*Figure 2.4: Shapero's model of entrepreneurial intention*

(Source: Devonish, Alleyne, Charles-Soverall, Marshall & Pounder, 2010:158)

The model includes a direct path from entrepreneurial experience to entrepreneurial intention. The perceived feasibility and desirability partially mediate the relationship between exposure to entrepreneurial experiences and entrepreneurial intention.

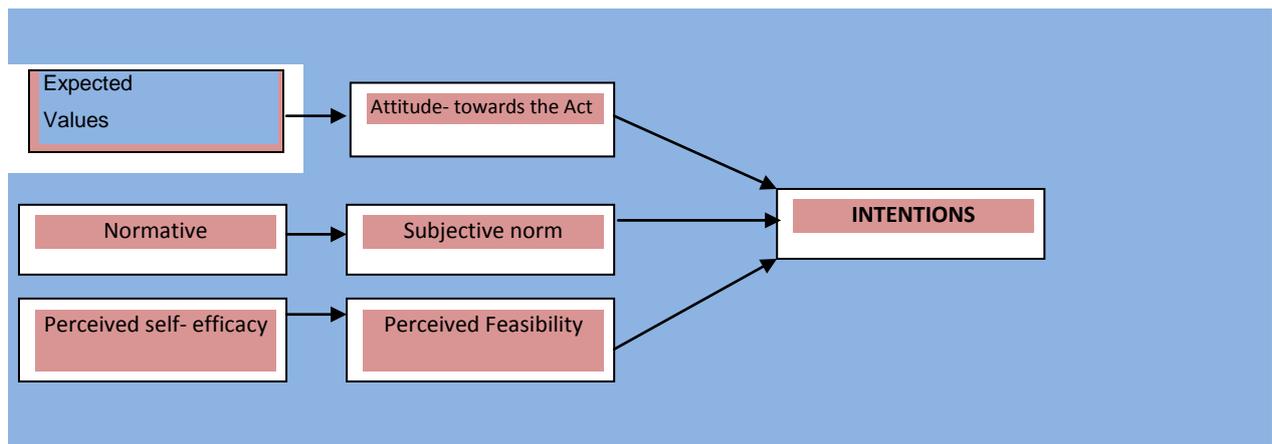
Intention provides the motivational process with a cognitive element that introduces explicit direction into behaviour dynamics. The relationship between entrepreneurial intention and motivation will be discussed later.

#### **2.4.4 Theory-driven models of intention**

Ajzen (1991:69) postulates that in social psychology there are parsimonious models of behavioural intention with considerable proven predictive value for much or such behaviour. Such models offer sound theoretical frameworks that map out the nature of processes underlying intentional behaviour. Ajzen (1991:69, Farrington, Venter and Neethling, 2012: 22) further indicates that intention successfully predicts behaviour, while attitude successfully predicts intention.

#### **2.4.5 Ajzen's Theory of Planned Behaviour (TPB)**

Ajzen's TPB can be illustrated as follows:



*Figure 2.5: Ajzen's theory of planned behaviour*

Figure 2.5 represents the TPB in its robust and valid form. The TPB identifies three attitudinal antecedents of intention: two (personal attitude towards the outcomes of the behaviour and perceived social norms) reflect the perceived desirability of performing behaviour and the third (perceived behavioural control) reflects perceptions that the behaviour is personally controllable. Perceived behavioural control reflects the perceived feasibility of performing the behaviour and relates to perceptions of situational competence (self-efficacy). Attitude toward the behaviour is the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question. Attitude is a composite variable comprised of both cognitive and affective elements that support the mindset towards entrepreneurship as a lifestyle career or activity, whether positive or negative (Krueger, 2003:58; Farrington, Venter and Neethling, 2012: 22).

Subjective norm refers to the perceived social pressure to perform or not perform the behaviour. This variable is influenced not only by broad cultural attitudes toward entrepreneurship, but also by attitudes of particular individuals, groups and networks (the person is most influenced by family, friends, peers and significant others). Perceived behavioural control refers to the perceived ease or difficulty of performing the behaviour, and it is assumed to reflect past experience as well as anticipated impediments and obstacles (Krueger, 2003:59). This variable is recognised as most impacted by and closely related to Bandura's (1986) perceived self-efficacy, a person's belief that he or she can execute a particular action (Krueger, 2003:89). This construct taps perceptions of the personal desirability of performing the behaviour. As a check on

construct validity, this attitude depends on expectations and beliefs about the personal impacts of outcomes resulting from the behaviour.

#### 2.4.6 Shapero's model of the entrepreneurial event (SEE)

According to the SEE, the intention to start a business derives from perceptions of desirability and feasibility and from a propensity to act upon opportunities. The model assumes that inertia guides human behaviour until something interrupts or displaces that inertia. Displacement events are conceptualised as situations, positive (such as an opportunity to get into business for oneself) or negative (such as being laid off at work). Displacement is often negative (like job losses or divorce), but it can easily be positive (like getting an inheritance). Displacement precipitates a change in behaviour, where the decision-maker seeks the best opportunity available from a set of alternatives (Katz & Garner, 1988:66). The choice of behaviour depends on the relative "credibility" of alternative behaviours, plus the propensity to act. Credibility requires that behaviour be seen as both desirable and feasible. The figure below shows the SEE.

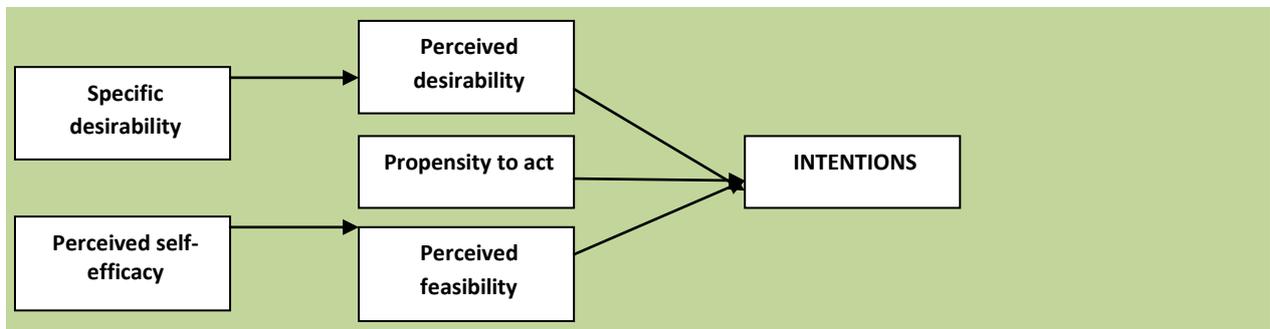


Figure 2.6: Shapero's model of the entrepreneurial event

Shapero defines perceived desirability as the personal attractiveness of starting a business, including intrapersonal and extrapersonal impacts. This is influenced by social background (which comprises broader cultural influences) as well as by family, friends and personal exposure to entrepreneurship. For example: If a society emphasises getting a good education to get a good job, entrepreneurship is viewed as less desirable as a career choice. If parents are self-employed in their own businesses, this makes entrepreneurship more salient and potentially more attractive (Katz & Garner, 1988:67). The perceived feasibility is the degree to which one feels personally capable of starting

a business. The perception of feasibility is also influenced by the individual's prior experiences, but it is self-efficacy beliefs (those beliefs that are most task-specific) that have been most potent as an antecedent of feasibility perceptions. This perception is viewed as related to Ajzen's behaviour control variable in that both of these focus on a person's assessment of his or her ability to manage the business start-up process successfully. Empirical measures of self-efficacy assess beliefs that one can personally execute a given behaviour (Carsrud & Brannback, 2009:234).

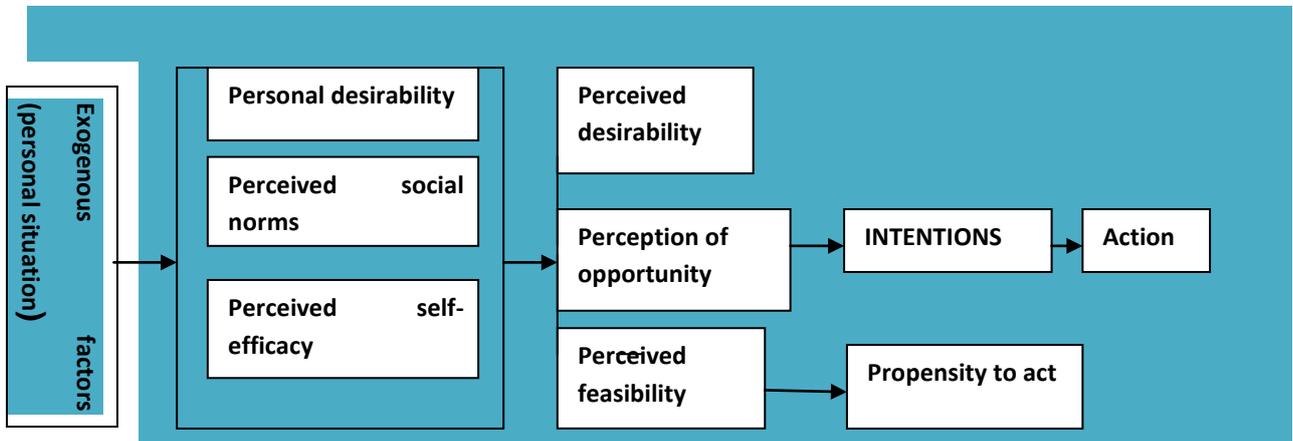
The propensity to act is conceptualised by Shapero as the personal disposition to act on one's decisions, thus reflecting volitional aspects of intention. It is hard to envision well-formed intentions without some propensity to act. Propensity to act on an opportunity depends on control perceptions (that is, the desire to gain control by taking action).

The concept of self-efficacy is an important influence on people who contemplate and then evaluate both the desirability and the feasibility of a new venture. If the evaluation results in a compelling combination of desirability and feasibility, the person will form the intention to start a new venture (Carsrud & Brannback, 2009:35, Farrington, Venter and Neethling, 2012:21). Therefore intentionality (general) is a state of mind directing a person's attention toward a specific object (goal) or path in order to achieve something. Entrepreneurial intention is aimed at either creating a new venture or creating new values in existing ventures (Carsrud & Brannback, 2009:36). Krueger (2000:78) has found that the desirability, feasibility and propensity to act, explained more than half of the variance in intentions toward entrepreneurship. He argues that intention is the single best predictor of any planned behaviour, including entrepreneurship.

#### **2.4.7 Shapero-Krueger's model of entrepreneurial intent**

Below is Shapero-Krueger's model of entrepreneurial intent. Shapero was one of the earliest scholars to develop the entrepreneurial event, which is similar to Ajzen's theory of planned behaviour. Shapero equated intent to the identification of a credible, personally viable opportunity. For a perceived opportunity to be credible, it has to be perceived by the decision-maker as desirable and feasible. He even added an antecedent, propensity to act, which captured the potential for a credible opportunity to become intent and thus action. Then Katz and Gartner (1988) identified intentionality as

one of the four critical facets of an emerging new venture. However, Shapero's model had gone untested empirically until Krueger (1993) tested it and found very strong confirmation of the model. Eventually Krueger et al (2005) performed a competing hypotheses test that compared the SEE and TPB, finding that both models held.



*Figure 2.7: Shapero-Krueger's model of entrepreneurial intent*

(Source: Carsrud & Brannback, 2009:40).

The literature on entrepreneurial networks and social capital that results from the connections between people developed at the same time as the literature on entrepreneurial intention (Carsrud & Brannback, 2009:43). The literature on entrepreneurial intention changed our understanding of what occurs in the mind of individuals, while literature on the entrepreneurial network and social capital moved the focus away from the mind of individuals to the social surroundings affecting individuals and their decision-making. The social capital resources of entrepreneurs include information, advice, social support and legitimacy. Research on entrepreneurship has shown that social networks affect opportunity recognition, entrepreneurial orientation and the vocational decision to become an entrepreneur (Carsrud & Brannback, 2009:45).

#### **2.4.8 Conceptual and empirical issues in choosing a model**

Before discussing the model used in this research, it is necessary to clear up a few issues. Intention refers to the target behaviour of starting a business. Entrepreneurial intention also reflects the business founder's vision of the emerging organisation and

subsequent corporate culture. Conceptually and empirically speaking, attitudes and intention should refer clearly to the same target behaviour at the same level of specificity (Krueger et al, 2005). For the purpose of this study, the following model of entrepreneurial intent was used.

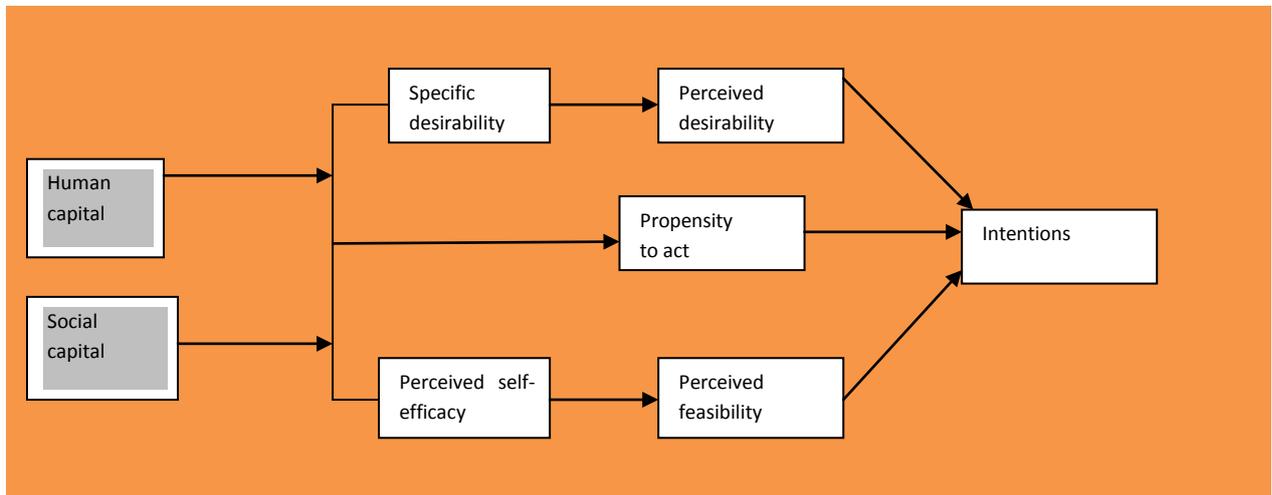


Figure 2.8: A model of entrepreneurial intention (Own compilation adapted from Krueger, 1993)

The figure shows that human capital and social capital have an influence on specific desirability, perceived self-efficacy and the propensity to act. In developing the hypothesis, the researcher was more specific about the content of both social capital and human capital factors. Social capital is conceptualised as being embedded in the entrepreneurial network of entrepreneurs, while human capital is conceptualised as education level and experience in starting a business. Hindle, Klyver and Jennings (2009:46, Farrington, Venter and Neethling, 2012:20) argue that human capital and social capital are perceived as influential factors for individuals who are discovering entrepreneurial opportunities. This model suggests that both human and social capital have an influence, and therefore become even more important to entrepreneurs. Therefore, ambitions to become an entrepreneur come from continuous development and maintenance of both human and social capital.

(1) *Human capital*

The human capital theory indicates that knowledge increases individuals' cognitive abilities, leading to more productive and effective potential activity. Entrepreneurial

human capital is acquired on an individual basis and consists of a combination of skills, knowledge and resources which distinguish entrepreneurs from other competitors. Human capital variables are education, work experience, entrepreneurial experience, prior knowledge of customers' problems and experiential knowledge (Venter et al, 2008:43).

(a) Knowledge

The owner's entrepreneurial knowledge is essential to control and apply resources which may lead to competitive advantage and superior performance. Entrepreneurial knowledge comes from sources like previous work experience and education, and even advice from experts. An entrepreneur's previous experience is very important for entrepreneurial performance. Knowledge has been defined as being either tacit or explicit (Venter et al, 2008:43): tacit knowledge is know-how (something one knows how to do but cannot necessarily explain how it was done) and explicit knowledge is know-what (the clear and detailed information normally conveyed through procedures and processes and in formal written documents and educational institutions).

Business knowledge refers to different types of expertise in entrepreneurial success. The following are types of expertise required for entrepreneurial success:

- *Management knowledge.* Entrepreneurs should be able to manage the business. They can acquire knowledge and skills by attending short courses or networking with businesspeople.
- *Technical knowledge.* Entrepreneurs should have the basic knowledge about the technical nature of their offerings (products and services).
- *Financial knowledge.* Entrepreneurs should identify various sources of finance for their start-up. Management of cash flow for business sustainability is also crucial.

(b) Education

Entrepreneurs should have formal education, as this can assist in the accumulation of explicit knowledge that may provide useful skills to entrepreneurs. Education is an individual investment that yields higher wage compensation in return for an individual's variations of skills, training and experience. Better educated entrepreneurs pursue more opportunity-based ventures, while less well-educated entrepreneurs are involved out of necessity. Thus, this study suggests that:

There is no statistically significant difference between the mean values of the owner's education and entrepreneurial intention.  $H_0$ 11 (1–6).

(c) Work experience

Entrepreneurs must demonstrate business knowledge and work experience when undertaking a new business. Work experience in the entrepreneurship domain includes generating sales, developing marketing avenues and tactics, obtaining external financing, and dealing with internal financial and general management issues. Entrepreneurs therefore need a sound foundation in traditional management skills.

(2) *Social capital*

Social capital is also understood to be the goodwill engendered by the fabric of social relations that can be mobilised to facilitate action. According to Venter et al (2008:79), social capital is operationalised through the identification of networks and network relationships. It is defined by the strength of ties, repetitive group activity like frequency of meetings and other formal interactions. Entrepreneurs, as human beings, operate within social systems that define and are defined by culture.

(3) *Perceived self-efficacy*

Self-efficacy plays an important role in influencing individuals' perceptions and attitudes, as well as individuals' attitudes towards starting their own business. According to Bandura (1998:67), people who observe social models (for example, parents or friends)

who succeed in certain tasks through sustained effort are likely to develop strong beliefs about their capability to succeed in comparable tasks. However, individuals who are exposed to entrepreneurial experiences are likely to demonstrate higher levels of self-efficacy (feasibility) than those without that exposure.

(4) *Perceived feasibility*

Perceived feasibility is the degree to which one feels personally capable of starting a business. This is defined as the perception of one's capacity to carry out a specific behaviour, like becoming an entrepreneur. Feasibility perceptions consistently predict goal-directed behaviour where control is problematic. They also drive career-related choices, such as self-employment as an entrepreneur. Feasibility perceptions of entrepreneurship are influenced by prior exposure to entrepreneurial experience. Shapero and Sokol (1982:17) contend that prior exposure to entrepreneurial activity will have a positive effect on perceptions of feasibility and desirability. Therefore, prior exposure will directly influence perceived feasibility. The extent to which a person displays high feasibility perceptions of new venture creation affects the extent to which he or she will exhibit more positive attitudes towards the initiative and a person with perceived feasibility, therefore, ends up starting his or her business.

(5) *Perceived desirability*

Perceived desirability is the personal attractiveness of starting a business, including both intrapersonal and extrapersonal impacts (Krueger, 1993:56). This measure the degree of attraction an individual has towards a specific behaviour, such as becoming an entrepreneur. Desirability perceptions in this study represent an affective or attitudinal component that is influenced by perceptions of feasibility and which, in turn, influences entrepreneurial intentions. Krueger (2003:73) indicates that this variable reflects one's attitude towards entrepreneurship. If a person is attracted to starting a business, the probability that he or she can start his or her own business is high. The perception of desirability is influenced by a stream of cultural and social elements that help to form our opinions and attitudes about any particular action. For example, if parents encourage their children to become educated so that they can get better jobs,

entrepreneurship is viewed as less desirable. However, if parents are self-employed, entrepreneurship becomes more attractive.

(6) *Propensity to act*

The propensity to act is the personal disposition to act on one's decisions by reflecting on the volitional aspects of intentions. Krueger (1993:154) argues that this variable is similar to a risk-taking propensity and tolerance of ambiguity, which is a person's willingness to take action when the outcomes are unknown. This variable does have both a direct and an indirect impact on intention, as it mediates through feasibility and desirability variables.

(7) *Intention*

Intention refers to the target behaviour of starting a business. This type of behaviour is planned. Krueger (1993:57) indicates that perceptions of desirability regarding entrepreneurship are attitudes towards entrepreneurship. Attitudes have a direct and significant effect on intentions. Prior research has established that there is a positive relationship between desirability perceptions and the intention to start a business (Krueger, 1993:156). Krueger tested Shapero's model of entrepreneurial intention and found that perceived desirability directly and positively influenced entrepreneurial intention.

Entrepreneurs are encouraged to invest in human capital through human resources development and obtaining business development services in order to achieve superior performance.

#### **2.4.9 The effects of individual and environmental factors on the propensity for self-employment**

When selecting the factors to be included in this study, the researcher considered the relevance of the factor according to the extant literature, model parsimony and micro- and macro-level factors, as well as formal and informal institutions. Since deciding to become self-employed is a significant act, it is believed that a theoretical framework that

properly deals with an agent's action is critical in understanding propensity for self-employment. The propensity to become self-employed depends on the individual's set of expectancies, dispositions and embodied knowledge, as well as the individual's perception of his or her tangible and intangible resources (Prieto, Wang, Hinrichs & Arguirre-Milling,2010:316). The levels and impact of environmental factors on propensity for self-employment are the following: family self-employment background, social network, the impact of the legal system and government support, and social norms.

The model below includes direct and indirect effects of some of the most important individual and environmental factors (family, self-employment background, social network, legal system support, government support and social norms) impacting on an individual's propensity for self-employment. The propensity to become self-employed depends on the individual's set of expectancies, dispositions, embodied knowledge, and perception of his or her tangible and intangible resources. Figure 2.9 below indicates the contributing factors towards the propensity for self-employment.

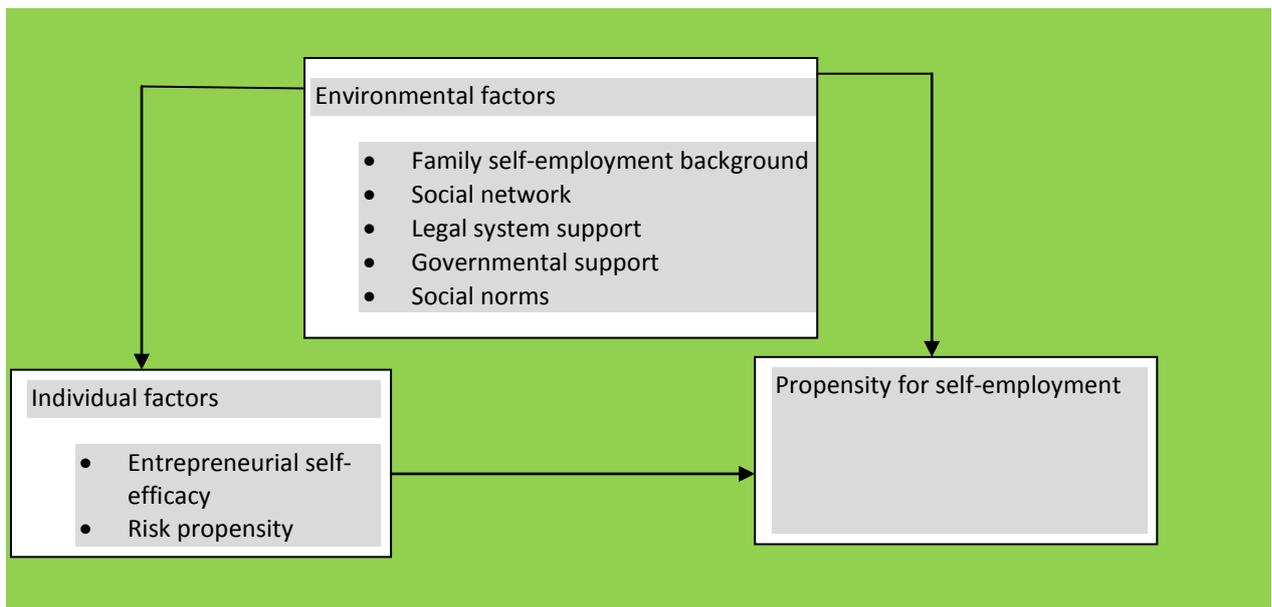


Figure 2.9: *The direct and mediating effects of individual and environmental factors on the propensity for self-employment*

(Source: Carsrud & Brannback, 2009:46)

The individual's perceived resources may include his or her entrepreneurial self-efficacy (perceived skills and abilities), perceived support from social networks and perceived resources from other environmental factors (Prieto et al, 2010:317). This means that the

individual's propensity for self-employment is a function of his or her perception of internal and external resources and business opportunities, and the degree to which he or she perceives that environmental factors may contribute to the success or failure of his or her new venture.

(1) *Family self-employment background*

A family business may provide the milieu where a relative's role-modelling, business experience, and ideological and cultural inputs influence children, thereby increasing their ambition and propensity to become self-employed (Prieto et al, 2010:317). The family business background may impact on individual perception about the opinions of relevant others, people's perceived resources, their perceived control and their mental schemata.

(2) *Social network*

The social network may enable would-be entrepreneurs to obtain resources such as insight, valuable leads, expedited procedures, financing, legitimacy and technology. Business-related social networks could increase capital, perceived control, propitious informal institutions and favourable cultural inputs for self-employment (Prieto et al, 2010:318).

(3) *The impact of the legal system and government support*

Institutional analysis suggests that formal institutions play a key role in shaping the nature of and developing the incentive infrastructure for realising entrepreneurial activity. Strong support for new ventures from the legal system and the government may increase perceived control, resources, perception of a more encouraging field and positive expectations for start-ups (Prieto et al, 2010:319). The South African government has developed laws and institutions that encourage entrepreneurship, and the legal system protects contracts and property rights. State and local governments have enacted registration systems that make it easy to start a business. The laws and regulations have facilitated the development of a financial system that supports the formation and growth of new business. Thus, this study suggests that:

There is no significant correlation between entrepreneurial intention and business support  $H_05b$ .

#### (4) *Social norms*

Social norms that encourage new ventures may increase the legitimacy of new business attempts, perceived control, cultural elements promoting self-employment and resources. In the USA social norms encourage adventurism, risk-taking and entrepreneurial activities. The strength of the American entrepreneurial culture is reflected in a strong belief that good business opportunities will be available.

An individual's tendency to take or to avoid risks is closely related to self-employment propensity. Risk propensity has been positively associated with people's entrepreneurial intentions (Prieto et al, 2010:322).

The literature on entrepreneurship shows that persons who believe their skills and ability set are adequate for achieving success with a new venture are motivated to exert the required effort. This link to motivation will now be examined.

## **2.5 MOTIVATION**

The study of motivation in the context of entrepreneurship in terms of basic concepts like achievement need, risk-taking, tolerance of ambiguity and locus of control has had mixed results. Motivation of entrepreneurs does influence the direction and nature of business ventures.

Motivation is what drives people to behave in certain ways. People are not always aware of what motivates them. They behave in ways that seem right under the circumstances. If employees in a company perceive that their interests are closely linked to the interests of the company, they will be motivated to achieve the company's goals (Smith & Cronje, 2002:344). If managers understand what motivates their employees, they can influence the employees' work performance.

Motivation is based on the individual's needs, values, desires, goals and intentions, as well as incentives and rewards that affect those internal mechanisms (Carsrud & Brannback, 2009:143). Locke (2000:95) indicates that in normal human action, motivation and cognition always operate together and that knowledge or belief in the absence of motivation leads nowhere, while motivation without knowledge and belief leads to unproductive action.

### **2.5.1 Entrepreneurial motivation**

The topic of motivation in the entrepreneurship literature evolves along a path which is similar to that of the organisational psychology field. From an organisational psychology perspective, theories of motivation have evolved from static, content-oriented theories (Cambell, 1992:23). Content theories search for the specific things within individuals that initiate, direct, sustain and stop behaviour, while process theories explain how behaviour is initiated, directed, sustained and stopped.

Organisational psychology research was focused on developing and testing content theories of motivation during the 1950s and 1960s. For over 30 years, psychologists accepted Cambell's (1992:24) explanation that behaviour results from the interaction between the person and the situation, which is a dynamic process (Carsrud & Brannback, 2009:145). Carsrud and Brannback (2009:146) propose two closely-related explanations of entrepreneurial motivation: the push theory and the pull theory.

There are cognitive models that explain the motivation to establish new enterprises which are analogous to Vroom's (1964) expectancy framework. According to Vroom's model, an individual chooses among alternative behaviours by considering which behaviour will lead to the most desirable outcome. Motivation is conceptualised as the product of expectancy, instrumentality and valence. Expectancy is analogous to measures such as perceived feasibility and self-efficacy used in other models predicting entrepreneurial intention (Segal, Borgia & Schoenfeld, 2005:44). Vroom's (1964) expectancy model establishes a common thread that connects many process-oriented explanations of entrepreneurial motivation. The current process models are implicitly or explicitly grounded in the basic conception that an individual's intention to become an entrepreneur is predicted by the following two questions: (a) Is entrepreneurship

desirable to me? This is the personal attractiveness of starting a business, including both intrapersonal and extra personal impacts. (b) Is entrepreneurship feasible for me? This means the degree to which one feels personally capable of starting a business.

Therefore one's attractiveness towards starting a business or one's feeling of being capable of starting a business is clarified by Kuratko's model of entrepreneurial motivation below which is discussed briefly.

### 2.5.2 The model of entrepreneurial motivation

Kuratko, Morris and Covin (2008:226) propose a model of entrepreneurial motivation and postulate that the desire to create a new venture and willingness to sustain it relate to the entrepreneur's motivation. These authors recognise personal characteristics as one of the motivational factors for entrepreneurship.

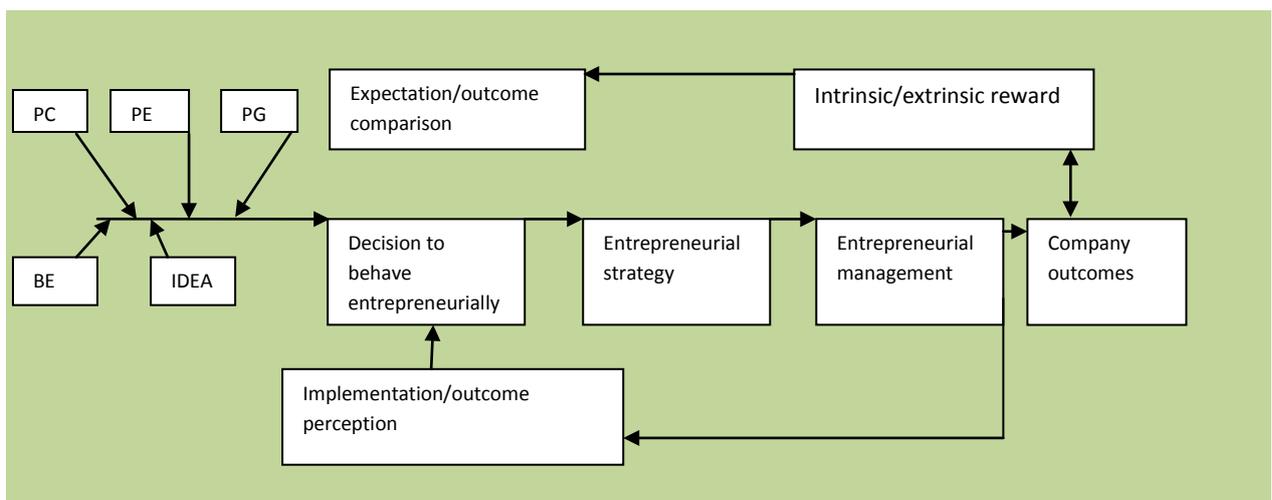


Figure 2.10: A model of entrepreneurial motivation

(Source: Kuratko et al, 2008:226)

It is clear from this model that the decision to behave entrepreneurially follows from the interaction of several factors (like the personal characteristics, environment and goals of the entrepreneur) and is subject to an enabling business environment and the existence of a viable business idea. Prospective entrepreneurs compare their perceptions of the probable outcomes of business ideas with their personal expectations. The match between perceived expectations and the actual outcomes of the business motivates the

entrepreneur to start or sustain a business idea. This model emphasises that entrepreneurship is a multidimensional phenomenon.

### 2.5.3 Motivation and Intention

Segal et al, (2005: 46) argue that the most widely and successfully applied theories for predicting behavioural intention are the theories of reasoned action and planned behaviour such as Ajzen's TPB. The TPB is an extension of the theory of reasoned action (TRA) that includes measures of control, belief and perceived behavioural control. The TPB was developed to account for the process whereby individuals decide on and engage in a particular course of action (Ajzen, 1991:75). The intent to perform behaviour, in turn, is a function of the following three variables (Ajzen, 1991.76):

- 1) *Attitude toward the behaviour*, which refers to the degree to which individuals perceive the attractiveness of the behaviour in question.
- 2) *Subjective norm*, which refers to the perceived social pressure to perform the behaviour in question. The perceived social norm is a measure of the social support for the behaviour by significant others such as family, friends, and other role models and mentors.
- 3) *Perceived behavioural control* is self-evaluation of one's own competence with regard to the task or behaviour. Perceived feasibility is a measure of behavioural control which is similar to Bandura's (1986) self-efficacy construct.

The theory of planned behaviour provides an account of the way in which attitudes, subjective norms, perceived behaviour control and behavioural intentions combine to predict behavioural performance. Segal et al (2005:46, citing Shapero & Sokol, 1982:101) conceptualise perceived desirability as the personal attractiveness of starting a business and perceived feasibility as a perceptual measure of personal capability with regard to new venture creation. They substitute perceived net desirability for perceived desirability, believing that people may be motivated to become entrepreneurs if they believe self-employment is more likely than working for others to lead to valued outcomes. This means that the motivation to become an entrepreneur is driven by the difference between the desirability of self-employment and the desirability of working for others (Segal et al, 2005:47).

Entrepreneurship motivation introduces new constructs and combines them in specifying that the intention to become an entrepreneur is a function of the three variables, which are: the perceived desirability of self-employment (DSE), the perceived feasibility (self-efficacy) of self-employment (SE) and tolerance for risk (TR).

Intention in the motivational process is comparable to meaning in behavioural action. It points to the purposive or means-end structure of the act, whereby every element is related to its aim as to a source of meaning. Intentions may relate to instrumental acts. Considering behaviour and motivation in an abstract way, it may be true that a person is not directly motivated for an act he or she intends to perform only as a means of reaching an extrinsic goal. Without motivation, the instrumentally-intended act cannot be performed. The role of intention is two-fold: (1) it cognitively inserts an object or act into means-end structure and (2) it channels the motivation of the cognitively-processed need toward the instrumental act (Haltiner & Kuhn, 1987:316). Thus, this study suggests that:

There is no significant correlation between motivation to start a business and entrepreneurial intentions:  $H_0$ 1d.

Carsrud and Brannback (2009:142) and Maslow (1954) define motivation as the human drive to satisfy the body's needs for survival, with its highest form reflected in achievement motivation. Previous results on the study of motivation in the context of entrepreneurship as it relates to the basic concepts of achievement need, risk-taking, and tolerance of ambiguity and locus of control have yielded mixed results. The results have been more consistent for constructs such as goal-setting and self-efficacy. Motivations of entrepreneurs do in fact influence the direction and nature of business ventures. Other relevant motivational concepts that are linked to entrepreneurial behaviour from prior qualitative studies include independence, drive and egoistic passion (Shane, 2000:97). Urban (2004: 29) explains in his study that from those factors that motivate an individual to select an entrepreneurial career (high entrepreneurial intention), due to the complexity of the entrepreneurial process, the one factor of self-efficacy plays an important role.

## **2.5.4 What motivates an entrepreneur?**

Studies indicate that because the behaviour of a number of entrepreneurs is not based on a secure sense of self-esteem and identity, the enterprise becomes a highly emotionally-charged entity. It seems that many of these people are unable to function in structured situations. Many entrepreneurs counteract feelings of low self-esteem, inferiority and helplessness through excessive control and activity and narcissistic behaviour. Self-belief does not necessarily ensure success, but self-disbelief assuredly spawns failure (Urban, 2004:30).

Commercially-oriented entrepreneurs work to earn money, power, prestige and status. Entrepreneurs have the same motivations as anyone else for fulfilling their needs and wants in the world. They do not necessarily possess motivation that is distinct from that of other people, but it is rather how they use those motivations that help to determine the ultimate success or failure of their ventures. McClelland (in Carsrud & Brannback, 2009:143) sums up the role of motives, values and skills as factors that determine what people do in their lives.

### **2.5.4.1 *Intrinsic and extrinsic motivation***

Two forms of motivation are intrinsic motivation and extrinsic motivation. It comes internally from the emotional high one feels when launching a company or externally from the admiration of society or money received from the venture. Intrinsic motivation refers to a personal interest in the task - for example, achievement motivation like self-development and self-actualisation - and extrinsic motivation refers to an external reward for certain behaviour (Carsrud & Brannback, 2009:147). Carsrud and Brannback (2009:147) identify three inherent psychological needs that are necessary for self-motivation and personality integration. They are the need for competence, the need for relatedness and the need for autonomy. One's need for success is another way of looking at the need for achievement where one tries to match some standard of excellence. Carsrud and Brannback (2009:151) highlight that entrepreneurial motivation may be learned from or influenced by successful entrepreneurs who are role models in the family. And the person's behaviour and motivation depend on his or her cognition of the environment and his or her interaction within it.

Theoretically, people with a strong desire to succeed should be more likely to exploit entrepreneurial opportunities and perform better than those with a weaker desire to succeed (Poon, Ainuddin and Junit, 2006. 63). McClelland (1965) pointed out that in the entrepreneurship area, there is evidence that achievement motive predisposes people to engage in entrepreneurial activities and that it is more pronounced among entrepreneurs than non-entrepreneurs. This has been shown to predict entrepreneurial performance (growth in number of employees, sales and annual income) in a study undertaken in Western countries by Miner, Smith and Bracker (1994.626). Thus, this study suggests that:

There is no significant correlation between motivation to start a business and business performance:  $H_01e$ .

There are some other reasons or forces that cause an individual person to become an entrepreneur. These reasons or forces can be classified as either opportunity (pull factors) or necessity (push factors) reasons for entrepreneurship. The pull factors are those factors that encourage people in traditional positions to leave their current jobs to become entrepreneurs. The push factors are those factors that encourage people to become entrepreneurs because traditional jobs are less attractive and they do not have any other career choice or option (Nieman & Nieuwenhuizen, 2009:32).

#### **2.5.4.2 The pull factors of entrepreneurship**

##### *(a) Independence*

Entrepreneurs are independent and want to be able to make decisions themselves. They must not only be in charge, but must be independent thinkers. True independence does not mean independence from reality but using one's best rational judgment. A rational entrepreneur will be delighted to get as many good ideas as possible from others.

##### *(b) General self-efficacy*

Two types of self-confidence are general and task-specific self-confidence. General self-confidence or efficacy means that one believes one can deal with the world, meet life's

challenges, overcome obstacles and achieve the goals one sets for oneself. Generalised self-confidence is an aspect of self-esteem which means the conviction that one is generally worthy and efficacious. Self-confidence is often developed from childhood experiences in which one undertakes independent projects and succeeds. It may also stem from one's awareness of one's own cognitive abilities. Many successful entrepreneurs have strong mathematical ability, which is obviously important in many businesses (Locke & Luthan, 2004:157).

(c) *Achievement motivation*

This means the desire to achieve standards of excellence to improve and attain goals. McClelland (in Nieman & Nieuwenhuizen, 2009:32) uses two different methods to measure achievement motivation: the projective technique which measures achievement motivation at a subconscious level and the method which measures conscious achievement motivation. People with a strong motive for achievement have a strong desire to be successful and prefer to be personally responsible for decisions and outcomes, want objective performance feedback, and take calculated risks (Poon, Ainuddin and Junit, 2006: 63).

(d) *Drive: proactivity, ambition and energy*

Entrepreneurs always want to make things happen instead of being ivory-tower intellectuals who are content to sit and dream. They want to make the vision real, are impatient for results and are proactive. Ambition means a strong desire to achieve or improve something. Another aspect of drive is energy, which entrepreneurs use more for business success. Entrepreneurs have to work long hours, especially during the start-up stage (Locke & Luthan, 2004:159).

(e) *Egoistic passion*

Egoism refers to acting in one's own interest. It is in one's self-interest to possess moral virtues like rationality, honesty and integrity. Rational egoism holds that one's own

happiness is one's highest moral purpose. Entrepreneurs and great wealth creators do selfishly love their jobs and they feel joy in the process of creation. Passion for the work is a significant contributor to successful business growth and it is the driver, but reason is needed to make sure one knows what to do (Locke & Luthan, 2004:159).

#### **2.5.4.3 The push factors of entrepreneurship**

##### *(a) Unemployment*

If a person does not have a job in the established economy, he or she will start a business to make a living (Nieman & Nieuwenhuizen, 2009:34).

##### *(b) Job insecurity*

For example: If a person is appointed in a contract position for a short-term period, he or she may start a business to get an income since he/she is not permanently employed (Nieman & Nieuwenhuizen, 2009:34).

In conclusion, according to the push theory, individuals are pushed into entrepreneurship by negative external forces such as job dissatisfaction, difficulty in finding employment, insufficient salary or an inflexible work schedule. The pull theory contends that individuals who are seeking independence, self-fulfilment, wealth and other desirable outcomes are attracted to entrepreneurial activities. Orhan and Scott (2001:143) indicate that individuals become entrepreneurs primarily due to pull factors rather than push factors.

One of the personal attributes that appears to be of importance to new venture intention is entrepreneurial self-efficacy. Most entrepreneurs intend to pursue certain opportunities, enter new markets and offer new products, and this is a process of unintentional behaviour. As a general rule, it seems to be true that the stronger the intention to engage in behaviour, the more likely is its performance (Hisrich et al, 2010:38). Intentions capture the motivational factors that influence behaviour. Individuals have stronger intentions to act when taking action is perceived to be feasible and desirable. Thus the perception of feasibility has much to do with an entrepreneur's self-efficacy. The next section is a detailed discussion on entrepreneurial self-efficacy.

It is important to note that perceived self-efficacy would moderate the relationship between the development of entrepreneurial intentions and the likelihood that these intentions will result in entrepreneurial behaviour -in other words, entrepreneurial intention will not always result in new venture creation (Carsrud & Brannback, 2009:155).

## **2.6 ENTEPRENEURIAL SELF-EFFICACY**

Self-efficacy is a self-regulatory motivational variable that is concerned with judgments of how well one can execute a course of action required to deal with a prospective situation (Bandura, 1982:122) and beliefs in one's capabilities to mobilise the motivation, cognitive resources and course of action needed to meet the given situational demands. It is best measured by asking people to rate their confidence in being able to attain various levels.

An entrepreneur who is overconfident shows that he or she is not in touch with reality. Overconfidence is connected to arrogance, which combines excess confidence in oneself with gross underestimation of risk. Entrepreneurs should always pay attention to feedback from the environment to ensure that efficacy levels are appropriate (Carsrud & Brannback, 2009:155).

According to Bandura (1986:127), self-efficacy refers to individuals' assessment of their competencies and their ability to overcome adverse conditions and obstacles and the belief that their future actions will be successful. Entrepreneurship-oriented intentions are considered precursors of entrepreneurial action. The factors that could influence one to become an entrepreneur are many and consist of various combinations of personal attributes, traits, background, experience and disposition (Bandura, 1982:122). One of these personal attributes, entrepreneurial self-efficacy, appears to be a particularly important antecedent to new venture intention. Entrepreneurial self-efficacy is a construct that measures a person's belief in their ability to successfully launch an entrepreneurial venture. Self-efficacy refers to an individual's belief in his or her personal capability to accomplish a job or a specific set of tasks (Bandura, 1997:121). Thus, this study suggests that:

There is no significant correlation between self-efficacy and entrepreneurial intention:  
H<sub>0</sub>3b.

### **2.6.1 Self-efficacy and human behaviour**

Self-efficacy is a useful concept for explaining human behaviour, as research reveals that it plays an influential role in determining an individual's choice, level of effort and perseverance. Individuals with high self-efficacy for a certain task are more likely to pursue and then persist in that task than those individuals who possess low self-efficacy. High self-efficacy leads to increased initiative persistence and therefore improved performance; low self-efficacy reduces effort and therefore performance. People with high self-efficacy think differently and behave differently than people with low self-efficacy (Bandura, 1997:122). It appears that self-efficacy affects a person's choice of action and the amount of effort he or she exerts.

In other studies by Judge and Bono (2001), self-efficacy was found to be positively related to performance. In the area of entrepreneurship, although there is no direct evidence that the self-efficacy of entrepreneurs affects performance of the firm they manage, there is a suggestion that it has an effect on entrepreneurial intentions and actions. Given the pervasive positive effects of self-efficacy on general performance, the study proposes that:

There is no significant correlation between self-efficacy and business performance:  
H<sub>0</sub>3c.

Self-efficacy is an important motivational construct that influences individual choices, goals, emotional reactions, effort, coping and persistence. It also refers to an individual's convictions about his or her abilities. Consequently, an important set of cognitions is self-efficacy or beliefs about one's capacity to perform at a designated level (Bandura, 2001:26). Chen, Green and Crick (1998:297) found that entrepreneurial self-efficacy constructs predict the likelihood of an individual being an entrepreneur (that is, entrepreneurial self-efficacy refers to the strength of a person's belief that he or she is capable of successfully performing the various roles and tasks of an entrepreneur).

This study was motivated by the observation that the self-efficacy of entrepreneurs emerged as an important construct for understanding entrepreneurial success. The notion of entrepreneurial self-efficacy is grounded in the socio-cognitive approach which simultaneously examines the dynamic interaction between the individual and the environment by explaining what cognitive, motivational and effective processes are implicated in an individual's decision to engage in entrepreneurial activities. One stream of research defines self-efficacy as the entrepreneur's task-specific self-confidence; other researchers defines it as the ability to master the necessary cognitive, memory processing and behavioural facilities to deal effectively with the environment (Drnovsek, Wincent & Cardon, 2009:330).

According to Bandura (1986), efficacy judgements not only determine people's choice of activities but also their level of effort and persistence. When faced with real or perceived obstacles, high self-efficacious individuals exert more effort than people with low self-efficacy. They also tend to persist in the face of difficulties and try to execute new behaviours. Since entrepreneurs perceive themselves to be efficacious, they may be more willing to take on risky projects because they believe in their abilities. Entrepreneurs who have a high sense of self-efficacy will be more likely to create a firm that has an entrepreneurial orientation than those who have a low sense of self-efficacy. Thus the study suggests that:

There is no significant correlation between self-efficacy and entrepreneurial orientation:  
H<sub>0</sub>3a.

### **2.6.2 Self-efficacy and entrepreneurial outcomes**

The self-efficacy construct is also linked to important entrepreneurial outcomes like start-up intention and new venture growth, and the personal success of entrepreneurs (Krueger, 2000:60). Self-efficacy can be used to answer important questions in entrepreneurship, such as: Why do some individuals get stuck in the business start-up process -for example, succeeding in identifying opportunities - but fail to go further in capitalising on those opportunities? Why do efficacious, nascent entrepreneurs give up during the business start-up process? By adopting a view of self-efficacy that includes multiple dimensions (entrepreneurship domain context, content and valence of self-

efficacy beliefs), it will be possible to better understand why some individuals – and not others – are successful during the start-up process and also when and where during the business start-up process failure is likely to occur. Therefore the study suggests that:

There is no significant correlation between self-efficacy and entrepreneurial intention: $H_03b$ .

Overall findings from studies that examined the direct impacts of self-efficacy on the formation of entrepreneurial intention result in the observation that individuals with higher entrepreneurial self-efficacy have higher entrepreneurial intention and are more likely to believe they have an actionable idea (Carsrud & Brannback, 2009:98). Drnovsek et al (2009:332) support the findings on the relationship between entrepreneurial self-efficacy and career intention formation and the specific effect of gender. They found significant effects of entrepreneurship education on the development of self-efficacy differ according to gender, with males typically scoring higher on perceived self-efficacy than females. They also found a significant effect of entrepreneurship education on the development of self-efficacy beliefs which was strong for women.

Entrepreneurial self-efficacy includes at least two dimensions: the type of goal beliefs (task/outcome) and the type of control beliefs (positive/negative) that exist in the context of the business start-up process. Being self-efficacious means one is confident about both one's capabilities to attain success and one's capabilities to control negative thoughts about failure. In 2003, Shepherd (cited by Drnovsek et al, 2009:336) explored why so many entrepreneurs who have experienced business failure lack motivation to try again. One possible reason is that negative thinking arising from past failure hinders future use of knowledge gained from past experience. However, too much positivism under difficult circumstances may also lead to sub-optimal results. Entrepreneurs who experience instant success may become too confident in approaching business activities, which may harm rather than help the business.

Previous research shows that entrepreneurs who are successful during business start-up activities are not necessarily those who are successful in growing a venture. By separating business start-up and growth self-efficacy constructs we can expect a

different nature and scope of the substantive content of self-efficacy beliefs -for example, business start-up self-efficacy may focus on entrepreneurs' beliefs about successfully recognising and converting a technological innovation into a marketable product (Drnovsek et al, 2009:336).

Drnovsek et al (2009:336) propose an organising model of the business start-up process that consists of four steps:

- 1) *Intent formation*: The entrepreneur's motivated disposition to actively pursue the goal of starting a business.
- 2) *Opportunity identification*: The entrepreneur searches and discovers potential opportunities for exploitation.
- 3) *Decision to exploit*: The entrepreneur is committed to exploiting one or more of the identified opportunities.
- 4) *Venture creation*: The entrepreneur assembles the resource base and infrastructure to implement the business start-up.

This model is used to emphasise the specific role that dimensions of self-efficacy have in different phases of the start-up process.

Vancouver (2002:79) found that there is a positive relationship between self-efficacy and performance. Self-efficacy also facilitates learning and task performance, particularly early in the learning process. Bandura (2001:67) assumes that individuals, in the natural course of life, freely choose to be in certain situations and avoid others; thus they are able to provide opportunities for personal dispositions to manifest and be reinforced in the preferred environment. He further states that when people aim for a challenging standard but have to guess how they are doing, the stronger their perceived self-efficacy for goal attainment and the more pleased they are with whatever they surmise their performance to be, the more they heighten their efforts.

Bandura (2001:69) states that goals do not automatically activate the evaluative processes that affect performance. The degree to which goals create incentives for action is partly determined by goal specificity. Explicitly defined, goals regulate performance by designating the type and the amount of effort required, and they foster self-satisfaction by furnishing clear signs of personal accomplishments. High achievers

tend to make self-satisfaction contingent upon the attainment of difficult goals; low achievers adopt easy goals as sufficient (Bandura, 2001:70).

Self-efficacy appears similar to the self-esteem, expectancy, locus of control and attribution concepts of personality and motivation. To understand and apply self-efficacy effectively, we need to understand the subtle differences between these concepts and see how the self-efficacy construct can be incorporated more fully into entrepreneurship. The researcher argues that high levels of entrepreneurship self-efficacy will yield enhanced effort and persistence, increased planning and increased intention toward business start-up.

In seeking to answer the question whether entrepreneurs have universal cognitions distinct from those of other businesspeople, Mitchell, Smith, Morsem, Seawright, Peredo and McKenzie (2002:33) found that culture does indeed matter in entrepreneurship. Differences between several cognition constructs are observed and the pattern of country representation within an empirically-developed set of entrepreneurial archetypes differs among countries. This cultural link is now discussed.

## **2.7 CULTURAL ELEMENTS OF ENTREPRENEURSHIP**

It is proposed in this study that the cultural backgrounds of entrepreneurs play a significant role in defining the motivation for entrepreneurship. It is the contention of the researcher that motivation for business formation is not universal and that differences in cultural frames of reference would account for differences in the motivation for business formation. According to Hofstede (2001:147), culture is the interactive aggregate of common characteristics that influence a group's response to their environment. Culture determines the identity of a group in the same way personality determines the identity of an individual.

Urban (2004:172, citing McClelland, 1961) indicates that there is a link between culture and entrepreneurship. Some studies suggest that entrepreneurs share a common set of values regardless of culture, while other studies support the notion that culture affects entrepreneurship (Urban, 2004:172). Other researchers found that culture is a moderator in the relationship between contextual factors and entrepreneurial outcomes.

This tells us that culture acts as a catalyst, rather than a causal agent, of entrepreneurial outcomes.

All human beings are born and raised in a culture. Samli (2008:47) proposes that personalities are formed under the influence of culture. Consumer behaviour is an expression of preferences and those expressions are a result of personality and the immediate influence of culture. Individual behaviour and values are manifestations of cognitive and affective influences.

Some authors maintain that without referring to the cultural orientation of the environment at the individual level, it is not possible to understand the behaviours and characteristics of individuals who become entrepreneurs. It is therefore necessary to examine the cognitive and affective influences. Cognitive learning is described as active and individualistic ways of receiving information and processing that information displays the personality. Affective and effective learning implies a strong presence of traditional values and emotions. Samli (2008:47) further argues that these values are more readily available in Third World countries.

There are two main cultural classifications of countries, which are individualistic and collectivistic. In general, developed countries have individualistic cultures, while developing countries are primarily collectivistic. In individualistic cultures, individuals make their own decisions based on information collected individually and are responsible for the consequences. Individualistic cultures influence individual behaviour with cognitive influences. In individualistic cultures, the hierarchy of needs (as introduced by Maslow, 1964) and social class influence individuals' search processes and decisions (Samli, 2008:49). In collectivistic cultures, decisions are based on traditional values and emotional influences. Collectivistic cultures revolve around groups, and group leaders influence the behaviour of individuals. Economic necessities and traditional preferences dictate behaviour in collectivistic cultures. In collectivistic societies, group leaders' opinions or family elders are critically important in the decision-making process (Samli, 2008:50).

### **2.7.1 Defining culture**

Culture can be defined as the collective programming of the mind which distinguishes the members of one group or category of people from another group or category of people. What people see as the meaning of their lives and the kind of living they consider desirable or undesirable are matters of personal choice par excellence (Hofstede, 2001:147). However, personal choice is affected by the cultural environment in which people are brought up. Thus one can expect definitions of the quality of life concept to be culturally dependent as well. For example, in some cultures quality of life is strongly associated with the degree to which people succeed in subduing and reducing their material needs (Hofstede, 2001:147). One facet of people's quality of life is their quality of work life. The relative contribution of the quality of work life to the quality of life is in itself a matter of personal and cultural choice (Samli, 2008:50)

It is well accepted that people in particular localities share a number of common characteristics, such as religion, political views, lifestyle pattern and approaches to work. People normally vary in the way they live their lives, but the variations are often reasonably predictable within and across groups of people. The variability is the descriptive dimension of what is termed "culture" (Hofstede, 2001:148). Culture refers to the core values and beliefs of individuals within a society, which are formed in complex knowledge systems during childhood and reinforced throughout life (Samli, 2008:57; Hofstede, 2001:150). Samli (2008:57) defines culture as a shared meaning or system found among people who speak a particular language during a specific historic period and in a definable geographic region.

According to Samovar, Porter and McDaniel (2012:34), culture refers to the cumulative deposit of knowledge, experience, beliefs, values, attitudes, meanings, hierarchies, religion, notions of time, roles, spatial relations, concepts of the universe, and material objects and possessions acquired by a group of people in the course of generations through individual and group striving.

There are several cultural influences on the institutional and organisational levels of human endeavour. Culture shapes the organisations that evolve and the nature of social structures as they grow and adapt (Hofstede, 2001:160). Societies shape their collectives and social aggregates according to the rules implied by culture. In a collectivist culture (comprising most traditional cultures) people are more likely to think

of themselves as interdependent within their groups (family, co-workers, tribe, co-religionists and country) rather than the individual self (reflecting the independent self) and to see themselves as autonomous individuals who are independent of their groups (Hofstede, 2001:161). Ample research documents the importance of family background, prior education, social connections and networks for effectuating entrepreneurial potential (Freytag & Thurik, 2010:26).

### **2.7.2 National culture**

Cultures are systems of socially-transmitted behaviour patterns that serve to relate human communities to their ecological settings. These ways of life of communities include technologies and modes of economic organisation, settlement patterns, modes of social grouping and political organisation, religious beliefs and practices. When cultures are viewed broadly as behaviour systems characteristic of populations, extending and permitting somatic givens, whether we consider them to be patterns of or patterns for behaviour is a secondary question (Redding, 1986:25).

A society's culture consists of whatever it is: one has to know or believe in order to operate in a manner acceptable to its members. Culture is not a material phenomenon; it does not consist of things, people, behaviour or emotions. It is rather an organisation of these things. It is the form of things that people have in mind, their models for perceiving, relating and otherwise interpreting them (Redding, 1986:33). Other authors like Sajjad, Shafi and Munir Dad (2012:32) see culture as shared values, norms, traditions, rules, beliefs and anticipated behaviours of people. Cultural values and beliefs specify the level to which society judges entrepreneurial behaviours such as innovation, perceived feasibility, risk-taking, independent thinking and perceived desirability. A good culture influences entrepreneurial intention and ultimately firm performance improves. Thus, the study suggests that:

There is no significant correlation between culture and business performance: $H_0$ 2d.

Culture is a deep-seated social institution and its influence on entrepreneurship flows through numerous causal channels. A central channel is individual value priorities in the nation. These value priorities include high achievement, self-direction and stimulation.

The propensity to engage in entrepreneurship may be affected by the surrounding culture. The relationship between culture and entrepreneurship is discussed next.

### **2.7.3 Culture and entrepreneurship**

Culture is defined as a set of shared values and beliefs and expected behaviours (Hofstede, 2001:161). The value-belief theory postulates that the shared values of a culture impact the behaviours of individuals and organisations and affect perceptions of legitimacy and acceptability (Hofstede, 2001:161). Entrepreneurship is a culturally-embedded phenomenon. According to Samli (2008:22), the role of culture as a determinant of entrepreneurship has received scant attention. Culture is how people use values in starting a business and is best understood through the process whereby people incorporate their values into their thinking and behaviour (Samli, 2008:139). Socio-cultural dimensions influence the desirability to start a new business. Hofstede's work (2001) has been used extensively in cross-cultural research and has been effective in explaining behavioural differences between people in organisations. Hofstede's framework includes cultural dimensions of individualism–collectivism, uncertainty avoidance, power distance and masculinity–femininity. Most researchers apply this framework in an entrepreneurial context.

Like Hofstede (1980:95), Samli (2008:51) contends that cultural characteristics have a significant effect on the characteristics of the organisations in a society. Hayton, George and Zahra (2002:38) argue that cultural values serve as a filter of the degree to which a society considers certain entrepreneurial behaviour desirable. From Weber's work, McClelland (1961:134) theorised about the impact of socialisation on certain personality attributes (need for achievement). Thomas and Muller (2000:65) posit, in their review of culture and entrepreneurial potential, that one would expect some cultures to be more closely associated with certain entrepreneurial orientations than others. They found significant variation in entrepreneurial activity across cultures and note that cultural values influence entrepreneurial behaviour. Thus, this study suggests that:

There is no significant correlation between motivation to start a business and culture:  $H_01a$ .

There is no significant correlation between culture and entrepreneurial orientation:  $H_02b$ .

According to Samli (2008:55) Weber (1930) posited that religion, the caste system and family system have affected the emergence of entrepreneurship in India. He argued that the success of the entrepreneur can be traced to the values of frugality, deferred gratification and asceticism, which are all fundamentals of the Protestant culture. Weber also argued that differences in entrepreneurship in some societies, more than in other countries, point to the implicit role of culture in the theory of entrepreneurship. Furthermore, he argued that differences in entrepreneurship at a society level can be explained by cultural and religious factors, specifically a society's acceptance of the Protestant work ethic. McClelland (1961:59) points out that socialisation factors like parental influence determine the need for achievement which generates an entrepreneurial propensity within a society. He indicates that societies with cultures that emphasise achievement are more successful than societies that do not. Sajjad, et al, (2012: 31) recommend that culture is the most effective constant for entrepreneurship and that good cultural values influence entrepreneurial intention. These researchers indicated that culture (high individuality, low ambiguity and low in power remoteness and high intention) facilitated commencement of new businesses. National culture therefore has a moderating effect on entrepreneurial intention. Thus the study suggests that: There is no significant correlation between culture and entrepreneurial intention:  $H_02c$ .

Scholars identify a number of different cultural dimensions. Hofstede (2001:170), for example, identifies the following five cultural dimensions: power distance, individuality, masculinity, uncertainty avoidance and Confucian dynamism. These are shown in the table below.

Table 2.6: The dimensions of culture

<p>1. Higher individualism</p>	<ul style="list-style-type: none"> <li>• Everyone grows up to look after themselves.</li> <li>• Task prevails over relationship.</li> <li>• Individual interests prevail over collective interests.</li> <li>• Self-actualisation is the ultimate goal.</li> </ul>
<p>2. Higher masculinity</p>	<ul style="list-style-type: none"> <li>• The dominant values are material success and progress.</li> <li>• Men are supposed to be assertive, ambitious and tough.</li> <li>• Competition and performance are stressed.</li> </ul>
<p>3. Lower power distance</p>	<ul style="list-style-type: none"> <li>• Privileges and status symbols are frowned upon.</li> <li>• Skills, wealth, power and status are based on effort.</li> <li>• Small income differentials in society are prevalent.</li> </ul>
<p>4. Lower uncertainty avoidance</p>	<ul style="list-style-type: none"> <li>• Uncertainty is normal and acceptable.</li> <li>• Ambiguous situations and unfamiliar risks are typical.</li> <li>• No more rules than necessary are required.</li> <li>• Beliefs in generalists and common sense are emphasised.</li> </ul>
<p>5. Higher Confucian dynamism</p>	<ul style="list-style-type: none"> <li>• Long-term orientation and perseverance to succeed.</li> <li>• Status relationships to maintain reciprocity are emphasised.</li> <li>• Virtue or a sense of shame reinforces the work ethic.</li> </ul>

(Source Hofstede, 1994:37)

(1) *Power distance*

Hofstede (2001:170) defines power distance as follows: “The power distance between a boss B and a subordinate S in a hierarchy is the difference between the extent to which B can determine the behaviour of S and the extent to which S can determine the behaviour of B.” National culture reflects the level of power distance that is accepted by both the most powerful and the less powerful members of the society, and this is supported by the social environment. Thus power distance refers to the acceptance of inequality. Individualism stands for a society in which the ties between individuals are loose. Collectivism stands for a society in which people from birth onwards are integrated into strong, cohesive in-groups which, throughout people’s lifetimes, continue to protect them in exchange for unquestioning loyalty (Hofstede, 2001:225).

Human inequality is unavoidable and people differ in terms of their native abilities and the circumstances into which they have been born. This type of culture is called a high power-distance index society, according to Hofstede (1980:92). Low power-distance index cultures tend to have flatter organisation pyramids and believe in minimising power difference between people.

(2) *Masculinity*

The other unavoidable dilemma of human life identified by Hofstede (2001:297) is that of differentiation between the sexes. It is undisputed that there are two sexes with different biological roles. Masculinity stands for a society in which social gender roles are clearly distinct: men are supposed to be assertive, tough and focused on material success, whereas women are supposed to be more modest, tender and concerned with quality of life. Femininity stands for a society in which social gender roles overlap (Hofstede, 2001:297). Masculinity is associated with achievement motivation in McClelland’s (1961:61) terminology (Hofstede, 2001:297; Samli, 2013:8). One may expect that people from masculine cultures can satisfy their need for achievement more effectively through self-employment in small businesses than through membership in large established organisations. Highly masculine cultures place a high level of emphasis on assertive and ostentatious behaviour. According to Hofstede (2001:298), cultures with a high masculinity orientation tend to be oriented toward things and

money, tend to value independence and to live to work, and tend to value decisiveness. Cultures with low masculinity orientations work to live and are oriented towards people. In a high masculinity-oriented society, achievement is associated with wealth and position rather than human contacts and the living environment (McGrath, MacMillan and Scheinberg, 1992:121).

### (3) *Uncertainty avoidance*

Uncertainty avoidance is “the extent to which the members of a culture feel threatened by uncertain or unknown situations” (Hofstede, 2001:161). Uncertainty avoidance is expected to be negatively related to self-employment, since individuals from nations with high uncertainty avoidance have stronger emotional needs for rules and procedures and are therefore likely to prefer employment in an established organisation.

A society with a low uncertainty avoidance index accepts the notion of ambiguity and risk and their members must learn to live with it. But the high uncertainty society avoiders try to cope with the unknown future by imposing increased stability upon their environment. A strong tradition in the entrepreneurship literature links entrepreneurs’ beliefs with low uncertainty avoidance. Entrepreneurs are thought to believe that their own behaviour and abilities shape events and not arbitrary fate. Since entrepreneurs believe that they have the capacity to change the external environment, it stands to reason that entrepreneurs are more willing to venture on their own without the protection of a large business.

### (4) *Individualism*

Hofstede (2001:169) and Schwartz (1999:12) postulate that cultural orientations may significantly affect individual value priorities in a nation. These value priorities include high achievement, self-direction and stimulation. The propensity to engage in entrepreneurship may be affected by the surrounding culture.

Culture in part determines whether one is oriented towards personal action or prefers to act in concert with others. Hofstede (2001:169) argues that high individualism societies socially encourage individual initiative. High individualism is associated with the belief

that everyone has a right to privacy and that one must form one's own opinion. In his well-known ideas, McClelland (1961) depicted the entrepreneur as someone with a high personal need for achievement and who preferred to take responsibility for decisions and set goals and accomplish them through effort. Thus, this study suggests that:

There is no significant correlation between self-efficacy and culture:  $H_03b$ .

#### **2.7.4 The implications of cultural differences**

If entrepreneurship is expected to emerge in an individualistic culture, individuals in that culture will have self-efficacy and a need for accomplishment. In individualistic cultures, individuals may have more effectual logic and be more prone to new venture creation. But if entrepreneurship is expected to emerge in collectivistic cultures, this is unlikely to happen by itself. A concerted effort may be needed to start entrepreneurship activity. If one considers that many collectivistic countries are in the Third World, it may be asserted that without some deliberate critical activities, entrepreneurship is less likely to take place in collectivistic countries (Andendorff & Boshoff, 2011:3).

What may differ across cultures is a set of factors that determine who makes the decision as well as the values and interests served by the decision. The factors include:

- the authorities and entities vested with responsibility and control over decision-making and sources of expertise and advice -for example, the council of tribal elders, the chairman of the board, the investment analyst, etc.
- the sphere in which individuals have freedom of choice, in contrast to areas where they have limited or no choice (for example, to elect leaders, to operate their own business and to choose whom they will employ)
- ideological principles and societal values that underlie decision rules and the criteria for choice -for example, preference for cautious over risky or adventurous options and the requirement that chosen alternatives must be supported by the majority or by consensus (Andendorff, 2004:155)

The entrepreneur needs an entrepreneurial culture, regardless of the national culture. Entrepreneurial culture stimulates innovation and contributes to economic growth.

Studies show that entrepreneurial cultures contribute directly to regional economic development (Andendorff, 2004:144).

### **2.7.5 Entrepreneurial culture**

Many scholars claim that culture, understood as general values, is important for determining the level of entrepreneurial activities in a society. In this study, the researcher aimed to analyse the differences in the values of the self-employed in South Africa to try to find values that are important for entrepreneurial culture. Since values can be considered a motivational construct that refers to goals people want to attain, they are of special importance with respect to general economic decisions (Noseleit2010:41). The concept of values is useful in analysing whether entrepreneurs share a common value system that distinguishes them from other people. Samli (2013:8) indicated that risk evasiveness is one of the cultural traits that societies can be evaluated on. Therefore, if the society recognises, faces risk and manages it successfully, it is quite likely that such a society can produce much entrepreneurial talent. He further argued that, some of the poorest countries like Chad and Sudan do not show much entrepreneurial spirit and this is one of the most critical reasons why these countries are not moving fast in their economic development.

In 1920 Max Weber (cited in Freytag & Thurik, 2009:42) argued that entrepreneurial activities are influenced by cultural and religious factors, while McClelland (1961) found that the personality of entrepreneurs could be associated with achievement, preference for novel activity, responsibility for failure and success, and moderate risk-taking propensity. Davidson (1991:235) indicated in his study that for a small sample of Swedish regions, cultural variation was small and relatively less important for new company formation. Steensma, Marino and Weaver (2000:50) discovered that cultural differences impact the attitudes of entrepreneurs with regard to cooperative strategies.

In an effort to understand the relationship between culture and entrepreneurship, Butler and Herring (1991:140) suggest a middleman theory and an ethnic enclave theory for cultural and structural patterns of entrepreneurship. In both these frameworks, cultural and structural patterns of various ethnic groups that facilitate or hinder success in the business world are identified. Samli (2008:57) found that the middleman theory has

developed propositions relating to ethnic solidarity, societal hostility and the development of business enterprises. The theory proposes that groups that adjust to society by developing enterprises are subjected to hostility from larger society and this increases ethnic solidarity which in turn promotes further development of business enterprises. This results in the development of entrepreneurial culture, which keeps the groups from falling to the bottom of the economic ladder in society (Andendorff, 2004:148). Over time, such groups begin to occupy the middle part of the economic system.

Butler and Herring (1991:22) suggest that because of the small amount of capital required, groups in this tradition are more likely to concentrate on smallservice enterprises. These groups were found to develop a strong emphasis on the education of their offspring. This resulted in their children becoming more professional in areas that are entrepreneurial in nature. They are found in occupations like law, education and medicine, and those who are not professionals are more likely to develop enterprises in the middleman tradition.

The enclave theory also stresses the development of small business enterprises in ethnic communities (Hofstede, 2001:172). Another cultural explanation that attempts to account for differential rates of entrepreneurship among diverse ethnic groups is social learning theory (Andendorff, 2004:150; Samli, 2013:10). This perspective proposes that role models act as important environmental factors in the formation of career preferences. Identifying, observing and appreciating the behaviour of others make certain callings more noticeable than others. Most people are more likely to enter a particular career or profession if they have seen role models successfully performing the activities associated with that career (Andendorff, 2004:150). Butler and Herring (1991:80) found that over 70% of entrepreneurs come from homes where parents or close relatives owned a small enterprise or were independent professionals like lawyers, farmers or accountants.

It is true that not all people become entrepreneurs. A higher proportion of people become entrepreneurs in some countries than in other countries. It is argued that cultural values play an important role in accounting for the differences. Hofstede (1980:173) gives us a parsimonious model for comparing cultural differences. He

argues that a distinctive culture can be categorised along four dimensions, which are power distance, individualism, uncertainty avoidance and masculinity.

### **2.7.6 Immigrants, culture and entrepreneurship**

The level of self-employment differs significantly among immigrants. In a number of countries, the same group of immigrants have a level of self-employment exceeding the national average. Vinogradov and Kolvereid (2007:359) highlight that the level of self-employment is higher among Asian immigrants than other immigrants in Canada, the USA and the United Kingdom; the percentage of self-employed immigrants was the highest among Asian immigrants in the USA in the early 1990s. Weber (1930:130) pointed out that the fact that differences in entrepreneurship in some societies are more than in others, points to the implicit role of culture in the theory of entrepreneurship. He further argued that differences in entrepreneurship at society level can be explained by cultural and religious factors. Thus, this study suggests that:

There is no significant difference between the mean scores of the origin of the owner(s) and culture in starting a business:  $H_07a$ .

Hofstede (2001:56) identifies a number of different cultural dimensions to measure the cultural orientation of entrepreneurs, including power distance (the management of inequality between people), individualism (the relationship between individuals and collectives), uncertainty avoidance (stance towards the future) and masculinity (the allocation of roles between the sexes).

Since 1990, there has been a growing movement of foreign migrants and refugees to South Africa. Most of these migrants come from South Africa's traditional labour supply areas, including the Southern African Development Community (SADC) countries. The role of foreign migrants working in the SMME sector in South Africa's major cities of Johannesburg and Tshwane are examined and analysed in the next chapter.

## **2.8 CONCLUSION**

In this chapter, awareness was created of the complexity of the concept of entrepreneurship and of the fact that simple answers for the process of entrepreneurship do not exist. Factors which are both within and outside the entrepreneur have an impact on the success and failure of the entrepreneurial activity. For clarification, a distinction was drawn between entrepreneurship and small business.

The chapter assessed the effect of culture, intention, motivation and self-efficacy on entrepreneurship. The relationship between self-efficacy and entrepreneurial intention has been documented. Substantial research in the field of entrepreneurial personality and cognition indicate that self-efficacy is one of the major determinants of entrepreneurship and that perceived self-efficacy is a major determinant of intention. The literature also shows that cultural embeddedness shapes the way in which efficacy beliefs are developed and the purpose for which they are put forth, as well as the social structure arrangements through which they are best exercised. Hofstede's four dimensions of national culture, which are: masculinity, uncertainty avoidance, power distance and individualism were analysed. The motivations of entrepreneurs to start a business were also discussed. In the next chapter, immigrant entrepreneurship and entrepreneurial performance are reviewed.

## **CHAPTER 3**

### **IMMIGRANT ENTREPRENEURSHIP AND ENTREPRENEURIAL BUSINESS PERFORMANCE**

#### **3.1 INTRODUCTION**

In this chapter the literature review is continued with the aim of explaining the exploratory study that formed the basis of the final model for the research design. In the first section of this chapter, immigrant entrepreneurs are defined and the reasons why immigrants prefer self-employment are discussed. The reasons why immigrants' self-employment differs from locals or natives' self-employment are then investigated. The chapter then proceeds with an investigation into business performance by focusing on both local and immigrant entrepreneurs. Other factors that impact on entrepreneurial migrants are also highlighted.

The research on immigrant entrepreneurship is complicated by the lack of demographic clarity on foreign nationals living and operating businesses in South Africa. There is no reliable source to determine the actual numbers of foreign nationals in the country and those operating businesses. It was difficult for the researcher to generate a reliable sample within the overall population.

Van Dijk, Foeken and Van Til (2001:15) state that most African countries fail to provide acceptable migration statistics. These authors identify three data sources for statistical purposes: administrative sources (for example population registers, registers for foreigners, visa application forms, residence permits and work permits), border statistics and household-based inquiries (for example, census forms and other surveys). The administrative sources and border statistics are the main sources; the household-based inquiries usually provide figures for intra-national migration. Shea (2008:33), however, indicates that census returns and surveys do not accurately reflect temporary and return migration.

### 3.2 IMMIGRANT ENTREPRENEURS

Immigrant entrepreneurship has become an important socio-economic phenomenon, as it plays a critical role in economic development. It creates jobs through new business ventures that contribute to wealth creation in the country. In a society, there are structural barriers that can prevent a particular group of people (like immigrants and ethnic minorities) from competing with the local residents on an equal basis. Some of these immigrants are pushed into self-employment. The study conducted by Vinogradov and Elam (2010:360) showed that discriminatory wages in the wage employment sector may push immigrants toward self-employment. According to Nestorowicz (2011:3), self-employment refers to working for oneself instead of an employer and drawing income from a trade or business one personally operates.

To be self-employed is not the same as to be the businessowner because the business owner is not required to be directly involved in the day-to-day operations of his or her business, while someone who is self-employed has to follow a very hands-on approach in order to survive. An entrepreneur is someone who discovers market needs and launches a new firm to meet those needs (Moore et al, 2010:5). For the purpose of this research, the terms “entrepreneur”, “business owner” and “self-employed” are used interchangeably. The study also adopts Nestorowicz’s (2011:3) definition of a self-employed person as someone who works for himself or herself instead of an employer and draws income from a trade or business he or she personally operates.

In this study the reasons why immigrant self-employment differs from native/citizen self-employment in South Africa were explored. The history of entrepreneurship supposedly dates back to the time of ancient traders and craftsmen. Nieman and Nieuwenhuizen (2009:5, citing Schumpeter 1934) point out that Cantillon (1680–1734) can be regarded as the first person to offer a clear conception of the entrepreneurial function as a whole and Jean-Baptiste Say (1767-1832) then showed an interest in entrepreneurs. Cantillon observed that a number of people in the economy perform arbitrage by buying cheap products and selling them expensively. They bore the risk and uncertainty of the operation in exchange for potentially high profits (Nestorowicz, 2011:3).

A pertinent question on the strategy of migration and self-employment is whether people first consider migration and later opt for self-employment in the host country, or whether they know they want to be self-employed and then decide whether it will be profitable to do it in their home country or abroad.

### **3.2.1 Definitions of concepts**

In this section, a distinction is made between the concepts of self-employment migrant, ethnic entrepreneurship and immigrant entrepreneurship.

#### ***3.2.1.1 The self-employed migrant***

The criterion for identifying a self-employed migrant is the fact that he or she moves from one place to another. He or she undertakes self-employment as his or her primary form of labour market activity (Nestorowicz, 2011:3). This distinguishes him or her from frontier workers and seasonal workers

#### ***3.2.1.2 Immigrant entrepreneurship***

This means self-employment within the immigrant group at a rate in excess of the general rate (Nestorowicz, 2011:12).

#### ***3.2.1.3 Ethnic entrepreneurship***

This denotes ethnic minority specialisation in self-employment without imposing the requirement of foreign-born origin (Light & Bonacich, 2011:12).

### **3.3 AN OVERVIEW OF IMMIGRANT ENTREPRENEURSHIP**

Today there are many immigrant entrepreneurs who started their business not because of the usual obstacles immigrants have to face in the host country, but because they wanted to exploit a business opportunity and make money. For example, it is known that many Chinese people emigrated from Hong Kong to British Columbia in Canada to do business. East Asians had the highest rate of self-employment in Canada in 1986 and 1996 (Chrysostome, 2010:137). These observations confirm that in particular cases Asians stay on top of self-employment ratings not only across geographical borders, but also at different points of time. It is therefore reasonable to expect that the stability of the

inter-group differences can best be explained by factors that are stable in time and not related to fluctuations in the host-country environment. Among numerous individual and group level concepts, the following two have been proven to distinguish nations from one another and to be stable over long periods of time: national culture (Hofstede 2001:75) and motivation to start a business (McClelland, 1998:335).

Studies of immigrant entrepreneurship and the economic security it produces have a long intellectual history. The history is grounded in attempts by scholars to understand how new members of host societies develop economic stability and in the literature immigrant entrepreneurs are conceptualised as strangers. The concept emerged when communities were evolving from traditional to modern societies. Immigrants were not welcomed as most people see them as interested primarily in the pursuit of money, a phenomenon considered negative in traditional societies (Salaff, 2002:3).

Rettab (2001:17) indicates that immigrant entrepreneurs consist of two types of migrants:

- 1) *The first-generation group* consists of traditional migrants who were directly recruited for employment reasons. This group is identified as less educated, with most of their education being achieved in the country of origin. The group entered the labour market without mastering the language spoken in the host country. Most employers under-evaluate their qualifications and this leads to them entering into low-paying jobs.
- 2) *The second-generation group* consists of young dependants born in the host country who attained their entire education there. They master the language of the host country. They are more ambitious and selective in choosing a job.

Immigrants in general have lower labour force participation rates, lower employment rates, and are less qualified and therefore have to accept less skilled jobs (Salaff, 2002:3).

Some researchers postulate that these background characteristics of immigrants and their labour market position push these groups to enter self-employment. Others emphasise that entrepreneurship advantages for the individual migrant and his or her

relatives pull them to improve their social and economic position in the host country. The push and pull factors are of significance for immigrant entrepreneurs.

In the USA the revitalisation of concern about immigrant entrepreneurship was initiated by scholars who connected early theoretical ideas of the stranger with the experiences of immigrant groups. A comparison of the entrepreneurial behaviour of Chinese, Japanese and Cuban refugees who built an entrepreneurial enclave in Southern Florida was made in America (Light & Karageorgis, 2004:12). Two theories have emerged which allow scholars to make predictions about the creation, maintenance and management of immigrant enterprises. The enclave theory concentrates on geographically self-contained immigrant communities in metropolitan areas (Light & Gold, 2002:12). These immigrant groups are less likely to have the experience that is necessary to find work. Their fluency in English may be limited and when they have academic credentials, these may not be recognised by the host society and economic returns on their credentials are limited (Light & Rosenstein, 1995:15). Instead of falling to the bottom of the economic barrel, they decide to enter into business.

The purpose of this research was to investigate the reasons why immigrant and local entrepreneurs start a business. The following research question served as the focus of the study: do immigrants' home-country national culture and intentions influence self-employment among them in South Africa? To the researcher's knowledge, no previous study has so far been undertaken which used quantitative data on national culture and intentions to predict intergroup differences in the self-employment rates among immigrants in South Africa.

### **3.4 IMMIGRANT ENTREPRENEURSHIP IN PERSPECTIVE**

According to Guler (2005:4), there are two factors that promote recruitment into entrepreneurial positions. Firstly, the situational constraints immigrants are confronted with sometimes breed a predisposition toward small business and encourage immigrants to engage in activities that are resource-conserving. Secondly, resource mobilisation is facilitated when immigrant companies draw on their connections with a supply of family and ethnic labour to resolve organisational problems within small companies. Guler (2005:4) suggests that a group's success in attaining business

ownership is determined by three characteristics: pre-migration experience, post-migration experience and how these characteristics interact with one another. A group's position therefore depends on the cultural, social and economic resources it brings.

Mitchell (2004:45) argues that institutional forces like policies, laws, norms, beliefs and values in a particular social setting shape entrepreneur preferences and social processes. That study indicated that institutions can be seen as not imposing but providing an environment where the individual entrepreneur can live and act. Mitchell further argues that there are both informal and formal constraints: informal constraints refer to socially-transmitted information which includes norms and codes of behaviour; whereas formal constraints include political and economic rules.

Waldinger (2002:20) indicates that some immigrant groups are more entrepreneurial than others. He explains that the reasons for being entrepreneurial are related to culture, structure, ethnic enclave and the situation in which the business is operated.

Light and Gold (2002:19) argue that the contribution of social networks to entrepreneurship is one of the most important research discoveries in the last generation. They indicate that social networks are crucial for entrepreneurs who are struggling to survive in competitive markets. Aldrich and Zimmer (1986:47) indicate that networking allows entrepreneurs to enlarge their span of action, save time, and gain access to resources and opportunities that are otherwise unavailable to them. However, Granovetter (2002:23) claims that weak ties act as bridges to information sources that are not necessarily contained within an entrepreneur's immediate (strong-tie) network. Burt (2002:120) argues that it is not the strength of the relationship between network ties that predicts access to unique information, but the "space" between the network relationships.

Empirical studies have illustrated that entrepreneurs use informal network contacts like family, friends and businesspeople more than formal network contacts like bankers, accountants and lawyers as information sources (Aldrich & Zimmer 1986:48). Rutashobya (2002:18) discovered that, although Indian and African entrepreneurs were victims of discriminatory legislation in the USA, Indian entrepreneurs were able to utilise resources provided by their families and communities. Among African entrepreneurs,

very few networks were found, which could be ascribed to the low status of small businesses in the African community. A further explanation for this lack of networks was the perception that traditionally African entrepreneurs have very few entrepreneurial role models.

Much of the existing research focusing on immigrant entrepreneurship has been undertaken by sociologists and anthropologists. From a management perspective, the literature is still very limited and there are many aspects of immigrant entrepreneurs that are still unknown and need to be addressed. In the next section, important issues like success factors of immigrant entrepreneurship, the influence of the family network on transnational immigrant entrepreneurs, the classification of immigrant entrepreneurs based on the integration level in the host country, and the issue of necessity immigrant entrepreneurs versus opportunity immigrant entrepreneurs are analysed.

#### *(1) Necessity versus opportunity immigrant entrepreneurs*

Necessity immigrant entrepreneurs are immigrants who undertake business activities because they face various obstacles that prevent them from having access to the job market of the host country (Chrysostome, 2010:138). These necessity immigrant entrepreneurs are natives of developing countries -for example, in the USA many immigrants came from Latin America, Asia and the Caribbean islands after the US Immigration Act that abolished the system of national origins quotas was enacted (Aldrich & Zimmer,1986:47). These entrepreneurs faced challenges of lack of capital at the beginning of their entrepreneurial activities. Many immigrant entrepreneurs do not have access to formal financial sources and they therefore have to rely on their ethnic communities to find start-up capital. Necessity-driven entrepreneurs set up firms to get round barriers to employment. Their survival strategies have a low economic impact because they make lower investments, hire fewer employees and have fewer business skills (Baltar & Icart, 2013:203).

Most immigrant entrepreneurs in the USA make use of the Rotating Credit Association coordinated by their ethnic community (Light, 2006:12). This study was aimed at finding out if the immigrant entrepreneurs in South Africa also use this or other alternative financing sources. The ethnic community provides the immigrant entrepreneur with co-

ethnic employees. These employees are flexible and do not expect to be paid like the employees from mainstream society. The relationship between the necessity immigrant entrepreneur and his or her co-ethnic employees is one of solidarity. In many cases, the co-ethnic employees are family members of the necessity immigrant entrepreneur.

(2) *Opportunity immigrant entrepreneurs*

Opportunity immigrant entrepreneurs are immigrant entrepreneurs who freely decide to start a business to take advantage of a business opportunity (Chrysostome, 2010:138). They pursue goals like making money by earning from their business more than they would have earned if they were immigrant workers, they enjoy independence or accomplish a dream, and seeking business opportunities is part of their culture. Opportunity-driven entrepreneurs start firms to exploit a profitable business idea, even though they have the possibility of finding a paid job. They create innovative strategies as they are alert to new information and invest additional resources to expand their businesses (Baltar & Icart, 2013:203). There are different groups among opportunity immigrants, like immigrants who moved to their host country for the purpose of undertaking entrepreneurial activities, immigrants who moved to the host country primarily for academic or professional training and decided to stay afterwards, immigrants who came to the host country for job opportunities and decided later to start a company to take advantage of a business opportunity (Salaff, 2002:3) and second-generation immigrants born in the host country.

People born from immigrant parents in the host country are also considered second-generation immigrants. Opportunity immigrants are highly educated and hold university degrees from institutions in the host country; this distinguishes them from necessity immigrants who generally are not highly educated (Chrysostome, 2010:139). These groups of entrepreneurs are also natives of developing countries and are proficient in English. They employ both host-country employees and co-ethnic employees. They are also integrated in their host country compared to necessity immigrant entrepreneurs who depend on an ethnic enclave. Types of opportunity immigrant entrepreneurs include traditional opportunity immigrant entrepreneurs, transnational immigrant entrepreneurs and global immigrant entrepreneurs.

(3) *The survival factors of necessity immigrant entrepreneurs*

The concept of success has drawn the attention of many scholars of business. The literature highlights a wide range of indicators that are used to measure the performance of small businesses like ones owned by immigrant entrepreneurs. The indicators are divided into survival indicators (like age and the profitability of the business) and growth indicators. Profitability means that the cost of the business must be covered by the business income, while growth refers to the increase of various elements like sales, market share, net profit, return on investment, return on sales, return on assets, return on cash flow and number of employees.

Immigrant entrepreneurship is explained from different theoretical perspectives in the literature. Reviewing the theories and explaining the survival of immigrant entrepreneurs will help to formulate a proposed model of survival factors of necessity immigrant entrepreneurs.

(4) *Theoretical explanation of the survival of necessity immigrant entrepreneurs*

(i) The market disadvantage theory

Light (2006:140) highlights that immigrants face a lot of problems that prevent them from entering the job market of the host country and, therefore, turn to self-employment. These entrepreneurs work very hard to avoid any failure in their businesses and use all the possible resources accessible to them to keep their business on track. From this theoretical perspective, the survival factors of immigrant entrepreneurship are the immigrant's commitment and determination to succeed (Chrysostome & Arcand, 2009:6)

(ii) The cultural perspective

Waldinger (2002:90) points out that cultural factor also contribute towards entrepreneurship. Since the governments of China and India could not provide jobs to all their citizens, people had to find alternative ways of surviving and taking the business initiative to survive can be considered as culture. Immigrant entrepreneurship is a continuation of the immigrant's cultural habits in the host country. It stems from the

entrepreneurial mentality immigrants carry with them when they immigrate to their host country. Immigrant entrepreneurship can also be explained by means of two other critical factors: the social network and the ethnic niche market(s) in the host country (Chrysostome, 2010:141; Chrysostome & Arcand, 2009:6). Social network provides the financial resources, employees who will be flexible regarding long working hours and poor remuneration, information and the trust the entrepreneur needs. The niche market is co-ethnic customers who cannot be targeted by mainstream competitors because of their cultural specificities. In fact, the factors that are critical for the survival of the immigrant entrepreneur are the pre-migration cultural tradition of entrepreneurial mentality, the ethnic social network and the ethnic niche market.

### (iii) The neoclassic perspective

According to the neoclassic perspective, entrepreneurship is the result of arbitration between the earnings expected from self-employment and wages expected from being an employee (Chrysostome, 2010: 141). This means that a person becomes an immigrant entrepreneur if he or she realise that the earnings expected from being an entrepreneur are higher than the wages expected from being an employee. Entrepreneurship is by nature a risky activity that requires specific skills. The entrepreneur is someone whose level of aversion to risk is low, particularly the risk to innovate. For someone to have the courage to leave his or her country and settle in another country is evidence of risk-taking. Therefore, from the neoclassical perspective, the survival factors for necessity immigrant entrepreneurs are risk management, innovative ideas, managerial skills, education level and work experience.

### (iv)The institutional perspective

Institutional structures include government policies, widely-shared social knowledge and value systems. The emergence of immigrant entrepreneurship is the result of value systems and formal support provided to potential entrepreneurs through governmental policies in the host country (Light, 2006:143; Chrysostome, 2010:141).The rate of immigrant entrepreneurship varies, depending upon the policy initiatives designed by the government to promote it. These initiatives can take the form of financial support,

information provision regarding managerial skills, relaxation of regulations and trading. The table below shows the theoretical explanation of immigrant entrepreneurship.

*Table 3.1: A theoretical explanation of immigrant entrepreneurship*

<b>Theory or perspective</b>	<b>Motives of immigrant entrepreneurs</b>	<b>Survival factors</b>
<i>Disadvantage theory</i>	Obstacles and discrimination in job market	<ul style="list-style-type: none"> <li>• Determination and commitment</li> </ul>
<i>Cultural perspective</i>	Cultural traditions of home country	<ul style="list-style-type: none"> <li>• Pre-migration entrepreneurial mentality</li> <li>• Ethnic network</li> <li>• Ethnic market niche</li> </ul>
<i>Neoclassical perspective</i>	Self-employment earning higher than salaried earning	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Managerial skills</li> <li>• Innovative ideas</li> </ul>
<i>Institutional perspective</i>	Institutional support	<ul style="list-style-type: none"> <li>• Government pro-immigrant business programmes</li> </ul>

Source: Chrysostome, 2010:141

Based on the analysis presented in the previous section, a proposed model of survival factors for necessity immigrant entrepreneurs will now be discussed. The model has five factors: ethno-cultural factors, financial factors, managerial factors, psycho-behavioural factors and institutional factors.

A model on successful immigrant entrepreneurial factors was developed and integrated into the existing model on survival factors of immigrant entrepreneurs. The model can be used by local entrepreneurs as it shows factors applied by immigrant entrepreneurs for business survival. The researcher added the personal factors found to be more suitable for the survival of the business.

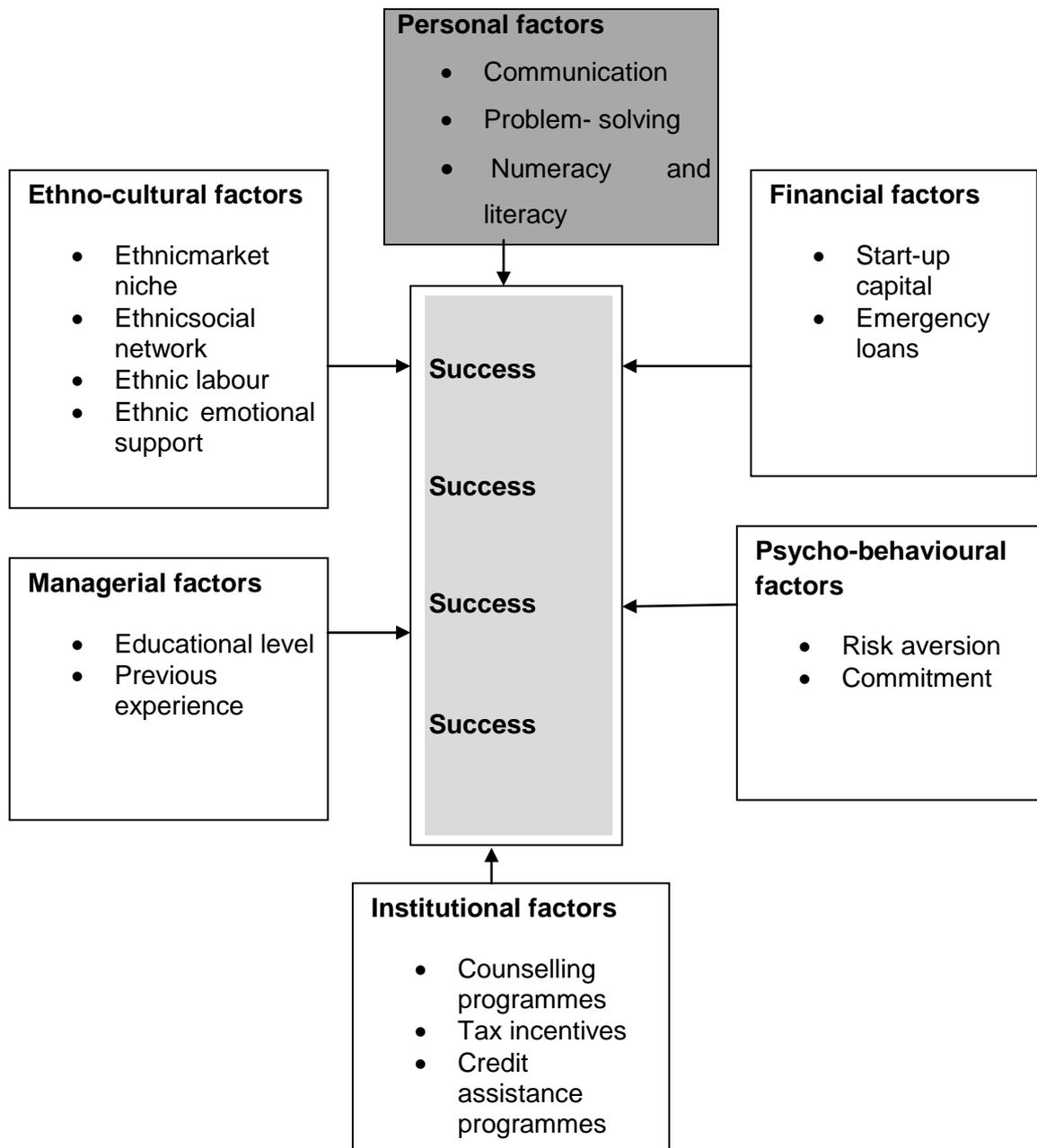


Figure 3.1: A model of success factors for necessity immigrant entrepreneurs

(1) Ethno-cultural factors

These factors include ethnic market niche, ethnic social network, ethnic labour and ethnic emotional support.

(i) Ethnic market niche

This refers to the market in which mainstream entrepreneurs (local entrepreneurs) are not doing business, given the opportunity structure of the host country. This is a very important factor in the survival of necessity immigrant entrepreneurs. Native (local) entrepreneurs have low interest in such a market because of insufficient economic reward and their limited skills in the market. The two types of market niches are the ethnic market niche and the non-ethnic market niche. The ethnic market niche is the co-ethnic consumers of the immigrant entrepreneurs. This market is targeted with ethnic products like ethnic food and ethnic clothes such as Indian saris (women's clothes). This ethnic market is critical for the survival of the necessity immigrant entrepreneurs because of the entrepreneurs' competitive advantage. The size of the ethnic market share of the necessity immigrant entrepreneur is the most important determinant of the survival of this business (Chrysostome, 2010:143).

(ii) Ethnic social network

The ethnic social network refers to the formal and informal ethnic connections of immigrant entrepreneurs (Sequeira & Rasheed, 2006:144; Chrysostome, 2010:141). The informal connections of the immigrant entrepreneur include his or her family members and friends in the host country and his or her connections in other countries. The importance of the ethnic social network depends on the size of the network, the degree of interconnection among the individuals in the network and the frequency of their mutual communication (Chrysostome, 2010:144; Chrysostome & Arcand, 2009:9). Immigrant entrepreneurs perceive the social environment of their host country as a hostile environment and they tend to rely on their ethnic community and develop strong social ties within that ethnic community.

(iii) Ethnic labour

Ethnic labour is very important for the business of immigrant entrepreneurs (Waldinger, 2002:56). The necessity immigrant entrepreneur can have access to the social network through ethnic labour. It is a well-known fact that in general the ethnic newcomer (new immigrant) faces challenges to find a job in the host country due to his or her limited

qualifications. The larger the ethnic labour pool, the better the access of the immigrant entrepreneurs to co-ethnic workers. The immigrant will have access to low-cost ethnic co-workers who are loyal and willing to accept demanding work schedules. The jobs of co-ethnic workers enable them to survive in the host country and sometimes to be integrated into the host country (Chrysostome, 2010:145).

(iv) Ethnic emotional support

This refers to the verbal encouragement and other forms of attention a member of the ethnic social network can give the necessity immigrant entrepreneur (Chrysostome & Arcand, 2009:10). Since immigrant entrepreneurs run a business in an environment that is culturally challenging and sometimes hostile, it is important that they have emotional support because this activity is risky and stressful.

(2) *Financial factors*

Generally, SMMEs face the same financial challenges large companies face. It is unfortunately difficult for immigrant entrepreneurs to access financial resources from financial institutions. This situation is even worse for necessity immigrant entrepreneurs since their businesses do not involve any innovative product or activity that can impress financial institutions. They need financial resources to effectively cover the operating expenses of their businesses. Expenses that are critical to the survival of a business include expenses relating to procurement, lease, energy, taxes and unexpected lawsuits. The two financial factors that are most considered are start-up capital and emergency loans (Arcand, 2009:10).

- 1) *Start-up capital*: Adequate start-up capital is a critical factor to prevent the immigrant entrepreneur from failing.
- 2) *Emergency loans*: These are non-traditional emergency loans that represent a back-up strategy the necessity immigrant entrepreneur can use to deal with unexpected liquidity crises.

### 3) *Managerial factors*

The managerial factors refer to the professional education and experience of immigrant entrepreneurs.

#### (i) Education level

The education level of immigrant entrepreneurs is very important for their survival in the host country. If they have higher education, it will help them to understand the challenges in the host country and the best approaches to meet them. Chrysostome (2010:146) reports that a lower level of education is one of the barriers to business performance. Necessity immigrant entrepreneurs would usually have acquired their education in their home country.

#### (ii) Previous experience

An immigrant's previous experience refers to his or her previous work and business ownership experience. For the necessity immigrant entrepreneur, previous business ownership experience is a critical factor for his or her business survival (Vinogradov & Elam, 2010:55). If the previous business was successful, the immigrant entrepreneur will tend to replicate the previous successful business practice.

### 4) *Psycho-behavioural factors*

#### (i) Risk aversion

Scholars like Schumpeter (1934) studied the influence of risk aversion in entrepreneurial activities. They found a significant negative correlation between risk aversion and productive investment. In a study conducted in the USA about the relationship between risk aversion and earnings among immigrants and natives in the country, it was found that the higher the degree of risk aversion, the lower the earnings (Chrysostome, 2010:147). If immigrant entrepreneurs limit their exposure to risk, they also limit their chances of success by not taking advantage of business opportunities they could have exploited.

(ii) Commitment

Commitment ensures the continuous existence of the business and is therefore the critical factor for necessity immigrant entrepreneurs, given the challenging circumstances of their businesses. Necessity immigrant entrepreneurs face a lot of constraints, such as financial and market constraints; entrepreneurial activities are their last resort in the host country. Failure of their entrepreneurial activities is also failure of the dreams they have been nurturing for many years. Because of all this, necessity immigrant entrepreneurs make incredible sacrifices to overcome the challenges they face. The sacrifices they make include long working hours, readiness for demanding work, less time for family and social life, and inadequate salaries (Chrysostome, 2010:148).

5) *Institutional factors*

Institutional factors are very important for the survival of immigrant entrepreneurs and the development of entrepreneurial activities. The institutional environments that are favourable for economic growth provide incentives for efficient production and investment in physical and human capital (Chrysostome, 2010:149; Chrysostome & Arcand, 2009:16). There are several government programmes to support entrepreneurs, including counselling programmes, a system of tax incentives and credit assistance programmes. In South Africa, immigrants do not benefit from any of these programmes.

### **3.5 IMMIGRANT ENTREPRENEURSHIP IN SOUTH AFRICA**

The increasing number of immigrant-owned businesses in Gauteng leads to increased attention on immigrant entrepreneurship. This is a particular point of interest in efforts to explain the variations in the level of entrepreneurial activity between different groups of entrepreneurs. In different countries, we find certain groups of immigrants who have levels of self-employment exceeding the national average. For example, the level of self-employment is the highest among Asians and SADC immigrants in South Africa (Mthembu-Mahanyele, 2002). Collins (2002:139) points out those Asian immigrants have had the highest rate of self-employment in Australia for at least the last 20 years.

Since 1990, South Africa has undergone unprecedented political, social and economic change, which has opened the country to migrants and immigrants from Africa. This period of transformation started with the slow disintegration of apartheid, continued through its demise and culminated in the first democratic elections in South Africa's history in 1994. The state has removed the racially-exclusionary clauses in immigration legislation and this has changed patterns of immigration to the country, opening South Africa to new sources of immigrants, particularly from Eastern Europe and Asia (Peberdy, 2001:22). The apartheid government established relationships with other African countries (to evade sanctions) by allowing nationals of these countries to enter as temporary residents. The post-apartheid regime is still based on legislation passed by the apartheid government in 1991, although it was amended in 1995 and 1996 to bring it in line with the Constitution (Peberdy, 2001:23). The post-1994 immigration policy has been accompanied by a significant change in attitudes and practices towards undocumented and documented migration and immigration. The practices and new policies, increasingly exclusionary and xenophobic, seem to be directed towards black African migrants, both documented and undocumented (Peberdy, 2001:23).

Even amid attempts to control tightly the entry of non-South Africans to the country, South Africa continues to receive migrant and immigrant entrepreneurs from its traditional source, Southern Africa. The new immigrants also include migrants from other parts of Africa, Eastern Europe and Asia. South Africa's contemporary immigration framework is largely hostile towards the entry of immigrant entrepreneurs. Some migrant entrepreneurs may hold permanent residence, but the majority appears either to enter on visitor's visas or to hold asylum seekers' permits or refugee status (Peberdy & Rogerson, 2000:25). Few entrepreneurs qualify for "business permits". It is difficult to estimate the size of this highly mobile population because of the variation in legal status. Most immigrants suffer prolonged unemployment and experience difficulties in getting into the labour market. For many, this is the reason why they engage in small business. The majority of non-South African firm owners started their businesses hoping to avoid ethnic discrimination and unemployment. Immigrant business owners have increased in numbers compared to a decade before.

Guler (2005:7) indicates that high unemployment and discrimination in the labour market push many immigrants to seeking self-employment. Difficulties in finding a

job, therefore, explain why immigrants start their own businesses. According to Statistics South Africa (StatsSA, 2010) immigrant businesses make up about 2.5% of the total number of businesses and the immigrant population is about 3% of the total population. Immigrant businesses are estimated to account for about 2% of new business start-ups. Starting one's own business can be an opportunity to create a job when it is difficult to get employment. The table below shows the distribution of SMMEs per province in the formal and informal sectors of South Africa. This study was undertaken in Gauteng because of its enterprise complexity.

*Table 3.2: Provincial distribution of SMMEs in the formal and informal sectors of SA*

<b>Province</b>	<b>Formal sector (2009) in%</b>	<b>Informal sector (2009) in %</b>
Eastern Cape	05.3	13.4
Free State	03.2	06.6
Gauteng	48.3	24.6
KwaZulu-Natal	13.0	18.8
Limpopo	02.9	14.3
Mpumalanga	04.1	07.7
North West	03.2	08.0
Northern Cape	01.2	00.7
Western Cape	19.0	05.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

(Source: StatsSA Integrated Business Register, March 2009)

Gauteng is the leading province in terms of the number of SMMEs in both the formal and informal sectors. In 2008, 87 million enterprises, big and small, were listed in the StatsSA Integrated Business Register. About 556 000 of the 1,8 million enterprises were regarded as economically active and a total of 536 000 operated as SMMEs. This clearly shows that SMMEs are really taking a lead in business enterprises in the country. The 536 000 SMMEs included immigrant enterprises.

The then Minister of Trade and Industry, Mr Mandisi Mphahla, in the Annual Review of Small Business reported that SMMEs accounted for 27% to 34% of total GDP in 2009. The GDP remained relatively constant for the period from 2001 to 2009 and due to the

registered SMMEs that were economically active, the sector grew by 27% between 2005 and 2009 (from 422 000 to 536 000) (StatsSA,2011.9).

Makina (2010:228) points out that foreigners migrate to Johannesburg for different reasons. In his study on why Zimbabweans migrated to South Africa, he classified the responses into the following general groups: economic (include unemployment), political and other (family reunification). Political reasons that were given included political beatings, persecution, intimidation, torture, human rights abuses and Operation *Murambatsvina* (clear the filth). Some of the migrants were absorbed into the labour market while others opened small businesses. The research conducted by Guler (2005:7) has shown that many unemployed people with an immigrant background move from being unemployed to owning a business.

In looking at the possible economic consequences of entrepreneurship, the researcher acknowledges that self-employment may not always constitute a satisfactory measure of entrepreneurship. Other researchers argue that the essence of entrepreneurship involves performance of uniquely innovative functions, whereas self-employment may consist of ownership/management of a business enterprise that entails little in the way of innovation.

### **3.6 MODERN CITIES AS A MELTING POT OF BUSINESS LIFE: JOHANNESBURG AND TSHWANE**

In the past decade, most cities in the industrialised world have seen a huge influx of people with different socio-cultural or ethnic origins (Light & Gold, 2002:16). As a result, many cities are facing severe disturbances in the housing and labour markets, accompanied by social segregation, socio-economic disparities, sharp local conflict and disruption of various local communities (Waldinger, 2002:6). South African's biggest cities of Johannesburg and Tshwane are seen as a melting pot of business because they are industrial. These are the two areas in South Africa which experienced a huge influx of immigrants. Light and Gold (2002:17) indicate that it has become quite common to regard immigrant groups as problematic to modern city life, but in recent years a re-orientation of views on ethnic minorities in cities has been observed.

Though Waldinger (2002:7) argues that immigrant business owners' activities are aimed predominantly at serving the needs of the socio-cultural or ethnic class they belong to, gradually we see an expansion of their market area towards a much broader coverage of urban demand. The socio-economic benefits of urban immigrant entrepreneurship stem from several sources. The social bonds in cultural networks create flexible ways to attract personnel and capital. Creative immigrant entrepreneurs are able to generate market niches for specific cultural foods to the extent that ethnic goods sometimes even become normal goods -for example, Italian pizza and Chinese food. A major advantage of immigrant entrepreneurship may lie in the fact that it contributes to resolving the problematic employment situation of young people in ethnic segments of the urban economy.

### **3.7 THE TARGET MARKET OF IMMIGRANT ENTREPRENEURS**

The post-1990 changes led to the deregulation of entrepreneurial urban spaces in South Africa. The economic recession has led to diminishing labour market opportunities for nationals and non-nationals alike, pushing many into self-employment (Peberdy, 2001:25). Johannesburg's inner city streets are now lined with informal sector traders selling fruits, vegetables, bags, shoes, clothes, cooked foods, bubble gum, biscuits and cigarettes. The central business district (CBD) is now home to the new black entrepreneurs and artisans running small and medium enterprises. Nigerian, Zimbabwean, Mozambican, Somali, Ethiopian and Congolese restaurants abound.

The metropolitan councils have tried to regain control over the city spaces with little success. Policies have been introduced to remove street traders from the city centres and to confine them to designated markets. These policies have led to the forced removal of traders from some Johannesburg streets. There have been intermittent, but persistent and at times fatal, attacks on non-South African entrepreneurs. Many traders were reportedly killed by members of one of the groups purporting to represent unemployed people in South Africa (Nkealah, 2011:125).

It was also reported that protests on the streets of Johannesburg against non-South African street traders, led by various South African hawkers associations, erupted into violence and intimidation. The demonstrators physically assaulted the traders, stole their

goods and forced them from their stands at gunpoint. Many of these entrepreneurs lost their stock and sites allocated to them by the city council (Human Science Research Council 2008:26). Immigrant and migrant entrepreneurs in SMMEs in South Africa appear to be concentrated in the retail and service sectors. Some African migrant entrepreneurs are involved in a wide range of clothing production which includes tailoring, dressmaking, specialised embroidery, and production of men's and women's garments (often with traditional West African motifs) (Peberdy, 2001:28).

In Johannesburg and Tshwane's inner cities, over 50% of the participants in clothing production are from West Africa (Rogerson, 1997:43). Other West and Central Africans gravitate towards operating restaurants and night clubs. These businesses tend to specialise in supplying food, music and clothes from home countries, confirming the importance of networks in directing forms of entrepreneurship. Peberdy (2001:28) indicates that immigrant entrepreneurs in car repair and maintenance tend to come from Zimbabwe and Mozambique, while those producing wire products and curios tend to come from Malawi and Zimbabwe. Many Zimbabweans and Mozambicans learned their trades in paid employment before becoming self-employed. Generally, these immigrants' businesses are run by single, young, male entrepreneurs who work long hours (64 hours per week) or six days a week. Their employees work similar hours (Katalitanyi & Visser, 2010:380). Some of the popular businesses and the origin of entrepreneurs are shown in Table 3.3

*Table.3.3: Immigrants' business clusters according to their origins*

<b>Sector</b>	<b>Activity</b>	<b>Origin of immigrant</b>
Retail	Curio selling	Malawi, Mozambique and Zimbabwe
	Selling ethnic clothing	West Africa
	Food retail	West Africa
Service	Motorcar repairs/panel beating	Mozambique and Zimbabwe
	Hairdressing	All SADC countries
	Operating restaurants	West Africa

Production	Traditional clothing	West Africa
	Wedding dresses	West Africa
	General tailoring	Malawi
Other business sectors	Nightclubs	West Africa
	Cafes	West Africa
	Music shops	Central and West Africa
	Traditional healing	East and West Africa
	Several imports/exports	West Africa

(Source: Adapted from Rogerson, 1999)

Kalitanyi and Visser (2010:382) indicate, for example, that 100% of Somalis are initially in South Africa due to political instability, while most Nigerians are here due to perceived business opportunities. Rogerson (1999:58) distinguishes between two groups of migrant entrepreneurs: migrants from SADC countries and non-SADC migrants. The table below shows the difference between SMMEs operated by SADC and non-SADC migrants.

*Table 3.4: The difference between SMMEs run by SADC and non-SADC migrants*

<b>SADC migrant entrepreneurs</b>	<b>Non-SADC migrant entrepreneurs</b>
SADC immigrant entrepreneurs do not have international ties. They barely communicate with their fellow countrymen in their home countries regarding business opportunities and expansion.	Their businesses are integrated and are supported by wider international and regional (SADC) migrant networks. They have a wider international family and business connectivity, including links with West Africa, Canada, the USA and Europe.
Most SADC entrepreneurs acquired their start-up capital from previous jobs in South Africa.	Most non-SADC entrepreneurs finance their businesses with funds brought in from outside South Africa.
Businesses run by SADC immigrant entrepreneurs are smaller and seemingly less well-capitalised than those of their non-SADC counterparts.	The diversity and strength of the non-SADC-run businesses derives from their exploitation of such income niches as ethnic businesses and those of other

	cultures.
The majority of SADC entrepreneurs had a secondary school education.	Immigrant entrepreneurs from non-SADC countries are better educated, which gives them wider horizons in their business development strategies.

(Source: Adapted from Rogerson, 1999)

Entrepreneurs from specific ethnic communities are now a well-accepted and established part of the business landscape in most countries of the world. This is no different in the cities of Tshwane and Johannesburg in South Africa.

### 3.8 FACTORS THAT DETERMINE ENTREPRENEURIAL MIGRATION

Immigrant entrepreneurship is a particularly significant element of the changing economy and landscape of inner-city Johannesburg. Entrepreneurship is important for business because of the value it adds, the innovations it creates, the wealth it produces and the additional employment it creates. Foreign business owners firstly check on certain factors before they go into business. The following factors are considered: (Nestorowicz, 2011:46).

- *Degree of competition:* This refers to migrants' perceptions of the ratio of entrepreneurs to consumers in a given product line. Entrepreneurs usually avoid higher degrees of competition and choose markets with lower competition. The lower the degree of competition in a particular place, the higher the intention to stay.
- *Market accessibility:* This refers to migrants' perceptions of the degree of access to the market or to consumers. The degree of accessibility is dependent on the prevailing local government regulation of access to strategic locations. Market accessibility is positively related to the intention to stay.
- *Capital accessibility:* This refers to migrants' perceptions of the chances to acquire credit in the current destination. Access to credit institutions is essential for business expansion in the future. The higher the access to a capital institution, the higher the intention to stay in the current place and the longer the length of the stay.

- *Cultural hospitality*: This refers to the social response to migrants in a receiving society. Local hostility can be expressed in various forms, from mild boycotting to harsh responses like physical assault. The soft hostile response can occur in an everyday form of resistance, like exclusion of migrants from social activities in local society.
- *Support network*: This is migrants' relations with relatives, family, kin or friends in the receiving region. The more migrants prefer to stay close to other family members, the larger the concentration of family and kin in a particular place and the greater the likelihood that new migrants will remain there.
- *Education*: The way education can have an impact on entrepreneurial intention depends on the transferability of skills acquired during school years. Less educated migrants are more prone to repeat migration than educated migrants. Education has a positive impact on the intention to stay.
- *Age*: There is strong correlation between age and migration. Young entrepreneurs are more likely to undergo repeat migration if they find the current place is not suitable enough for entrepreneurial activities.
- *Entrepreneurial experience*: Experienced migrants demonstrate better understanding of the type of location required for their business. They are more aware of socio-economic circumstances than migrants with less experience.
- *Migration experience*: This refers to the frequency of moves before the migrants settle in their current location. Migration experience has a negative impact on the intention to stay.

Immigrant entrepreneurs participate in markets where it is relatively easy for them to undertake entrepreneurial ventures. In these markets, well-established entrepreneurs may move upward to more capital intensive business activities and leave the small-scale, low-skilled, labour-intensive production open to newcomers. Due to relatively easy entry, these markets may be in the proximity of the point of saturation. They might have an increasing failure rate and generate intense price competition. In dealing with competition, migrants may resort to informal strategies and methods of production, including self-exploitation and heavy reliance on ethnic networks as far as establishing business partnerships and customer base are concerned (Nestorowicz, 2011:47).

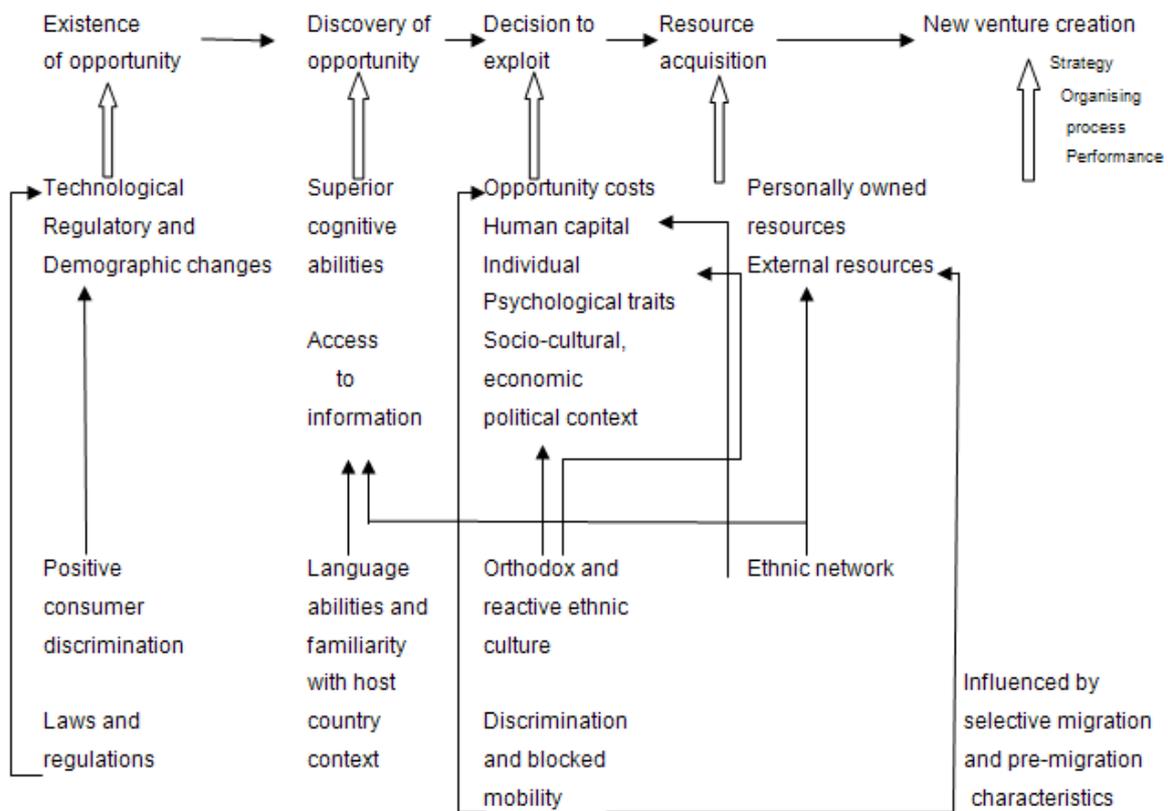
Immigrant entrepreneurs consider the abovementioned factors before they choose their line of business.

### **3.9 THE PROCESS MODEL OF IMMIGRANTS' VENTURE CREATION**

Figure 3.2 below presents a process model of venture creation as performed by immigrant entrepreneurs. The model was developed by Vinogradov and Elam(2010:53) and they stress the difference between immigrant self-employmentactivity and that of the native population. They indicate that the sources of differentiation are pre-migration and migration experiences of newcomers andmigrant selectivity. The model shows the process of becoming self-employed, asexperienced by immigrants, into five elements: the existence of opportunity, the discovery of opportunity, making the decision to exploit the opportunity, acquiring the necessary resources and, finally, creating a new business. They further highlight that opportunities unique to immigrants and unavailable to the native population mayarise due to positive consumer discrimination.

Local laws and regulations may constrain the possibilities available to immigrants.With regard to the opportunities available to the immigrant entrepreneur, his or her level of human andcultural capital and the extent to which he or she functions within a migrant network affectwhether the opportunities are recognised. In the third step of the process of venturerecreation, the immigrant decides whether or not to exploit the opportunities. Them minority member may be forced to take advantage of given opportunities in caseother opportunities are not accessible -for example, due to discrimination and blockedmobility.Immigrants may also be pulled into self-employment by cultural factors(Vinogradov& Elam, 2010:54). Once a decision to engage in an entrepreneurialactivity is made, resources are acquired by means of migration networks or mixed embeddedness inthe host and home country settings. In each stage of the process,potentialimmigrant entrepreneurs are faced with minority-specific obstacles likelegal, socialand economic issues.

**Figure 3.2: Process model of immigrant entrepreneurship.**



(Source: Vinogradov & Elam, 2010:116)

According to Figure 3.2, immigrant entrepreneurs focus on factors like opportunity cost, human capital, individual and psychological traits, socio-cultural, economic and political factors before deciding on exploiting the opportunity which the local entrepreneurs do not consider.

### **3.10 SOME SUCCESS STORIES OF IMMIGRANT ENTREPRENEURS IN TSHWANE AND JOHANNESBURG**

- *A Nigerian immigrant was selling potato chips on a pavement near Bosman's central taxi rank in Pretoria. Three years later, this man who arrived in South Africa in 2006 searching for a job, owned a successful business selling cell phones and accessories in a city-centre shop. The man is now looking to buy a property.*
- *Another story is that of a man who started as a sidewalk shoe repairer. The*

*man managed to save some money and he opened a profitable business in Pretoria CBD.*

- *A refugee from the Congo in Sunnyside (Pretoria) who employs three South Africans in his Internet cafe not far from the SunnyPark mall. He started with only two used computers, but he now has ten and is considering creating additional employment for local people.*
- *Another Nigerian immigrant in Johannesburg owns a popular restaurant in Johannesburg city centre. He now plans to open up a cooking school in the city. He confirms that he has lived in many countries, but he has found South Africa to be a country of opportunity (GEM.2010, accessed 1 June 2011).*

The next section will focus on entrepreneurial orientation since entrepreneurial orientation has been acknowledged as a key determinant of performance heterogeneity across small businesses. Entrepreneurial orientation as a strategy is needed for business success.

### **3.11 ENTREPRENEURIAL ORIENTATION AS BUSINESS STRATEGY**

Entrepreneurship scholars have attempted to explain performance by investigating the relationship between entrepreneurial orientation and firm performance (Lumpkin & Dess, 2001:436). Entrepreneurial orientation refers to a firm's strategic orientation, acquiring specific entrepreneurial aspects of decision-making styles, practices and methods. Other studies have found that entrepreneurial orientation enables small firms or new ventures to perform better than their competitors and enhances firm performance (Wiklund & Shepherd, 2005:90). Entrepreneurial orientation has become a central concept in the domain of entrepreneurship that has received a substantial amount of theoretical and empirical attention (Lumpkin & Dess, 2001:439). This study adopted Lumpkin and Dess's (2001:440) definition of entrepreneurial orientation as the strategy-making processes that provide organisations with a basis for entrepreneurial decisions and actions. The entrepreneur is the decision-maker in the business and he or she undertakes risk. Lumpkin and Dess (2001:441) further indicate that entrepreneurial orientation is a key ingredient for organisational success and it has been found to lead to increased performance. Strategy-making is an organisation-wide phenomenon that

incorporates planning, analysis, decision-making and other aspects of an organisation's culture, value system and mission. Wiklund and Shepherd (2005:91) argue that entrepreneurial orientation leads to higher performance or that businesses that adopt a strong entrepreneurial orientation perform better than firms that do not adopt an entrepreneurial orientation.

Entrepreneurial orientation is demonstrated by the extent to which management inclined to take business-related risks to favour changes and innovation, in order to obtain a competitive advantage for the business (Andendorff, 2004:153). Recent research suggests that there are three dimensions of entrepreneurial orientation that may vary independently from one another. They are: risk-taking, innovation and proactiveness (Lumpkin & Dess, 2001:439). Venter, Urban and Rwigema (2008:506) indicate that innovativeness is at the centre of entrepreneurship and is the fundamental endeavour of an entrepreneurial organisation to develop new products or invent new processes. Risk-taking is associated with the willingness of the entrepreneur to take calculated business-related risks. Proactiveness consists of autonomy and competitive aggressiveness. Autonomy refers to the actions undertaken by individuals or teams intended to establish a new business concept or idea (Venter et al, 2008:506) and further highlights that competitive aggressiveness refers to a response to threats that already exist in the marketplace. Entrepreneurial orientation has its roots in the strategy-making process literature (Rauch, Wiklund, Lumpkin & Frese, 2009:763). Strategy-making is an organisational phenomenon that incorporates planning, analysis, decision-making and many aspects of an organisation's culture, value system and mission. Firm entrepreneurial orientation therefore represents policies and practices that provide a basis for entrepreneurial decisions and actions (Rauch et al, 2009:763).

### **3.12 A FIRM'S ENTREPRENEURIAL ORIENTATION AND PERFORMANCE**

Businesses with entrepreneurial orientation have the capability to discover and exploit new market opportunities (Wiklund & Sheperd, 2003:12). Other research has employed a variety of financial measures like cashflow, return on assets and return on equity to assess firm performance. Some studies suggest a combination of financial and non-financial measures offers more comprehensive evaluation on a firm's performance (Li et al 2009:442). Subjective non-financial measures include indicators such as perceived

market share, perceived sales growth, customer satisfaction, loyalty and brand equity (Li et al, 2009:442). Murphy, Trailer and Hill (1996:55) examined 51 published entrepreneurial studies using performance as the dependent variable and found that the most commonly considered dimensions of performance were related to efficiency, growth and profit. Efficiency comprises some financial measures like return on investment and return on equity; growth focuses on increase in sales, employees or market share; and profit includes return on sales and net profit margin.

Lumpkin and Dess (2001:432) indicate that the dimensions of entrepreneurial orientation can lead to market growth. The innovativeness dimension of entrepreneurial orientation reflects the tendency to engage in and support the novelty to create and introduce new products, services or technology. The risk-taking orientation indicates a willingness to engage resources in strategies or projects where the outcome may be highly uncertain. Proactiveness refers to a firm's response to promising market opportunities. Competitive aggressiveness involves the propensity to directly and intensely challenge its competitors. Autonomy describes the authority and independence given to an individual or team within the firm to develop business concepts and visions, and to carry them through to completion. If new businesses have more aptitude for innovativeness, risktaking, proactiveness, competitive aggressiveness and autonomy, they will gain greater competitive advantage and accomplish higher firm performance. An effective entrepreneurial orientation may be a good predictor of a firm's performance. The study adopts Lumpkin and Dess's (2001:436) approach of using five (instead of three) dimensions of entrepreneurial orientation. It is an acceptable expanded definition of entrepreneurship orientation (Antoncic and Hisrich 2003:15).

Cooper and Gascon (1992:132) highlight individual factors influencing performance as experience, education, occupation of parents, gender, race, age and the entrepreneur's goals. Studies of individual factors influencing performance are prevalent, although the majority of these were carried out in the USA, Canada and the United Kingdom. Thus, this study suggests that:

There is no significant correlation between entrepreneurial orientation and business performance:  $H_04b$ .

The following are the five theoretical perspectives, each of which has a corresponding body of empirical research: motivations and goals, network affiliation, human capital, self-efficacy, culture and entrepreneurial intention. See Figure 3.3 below.

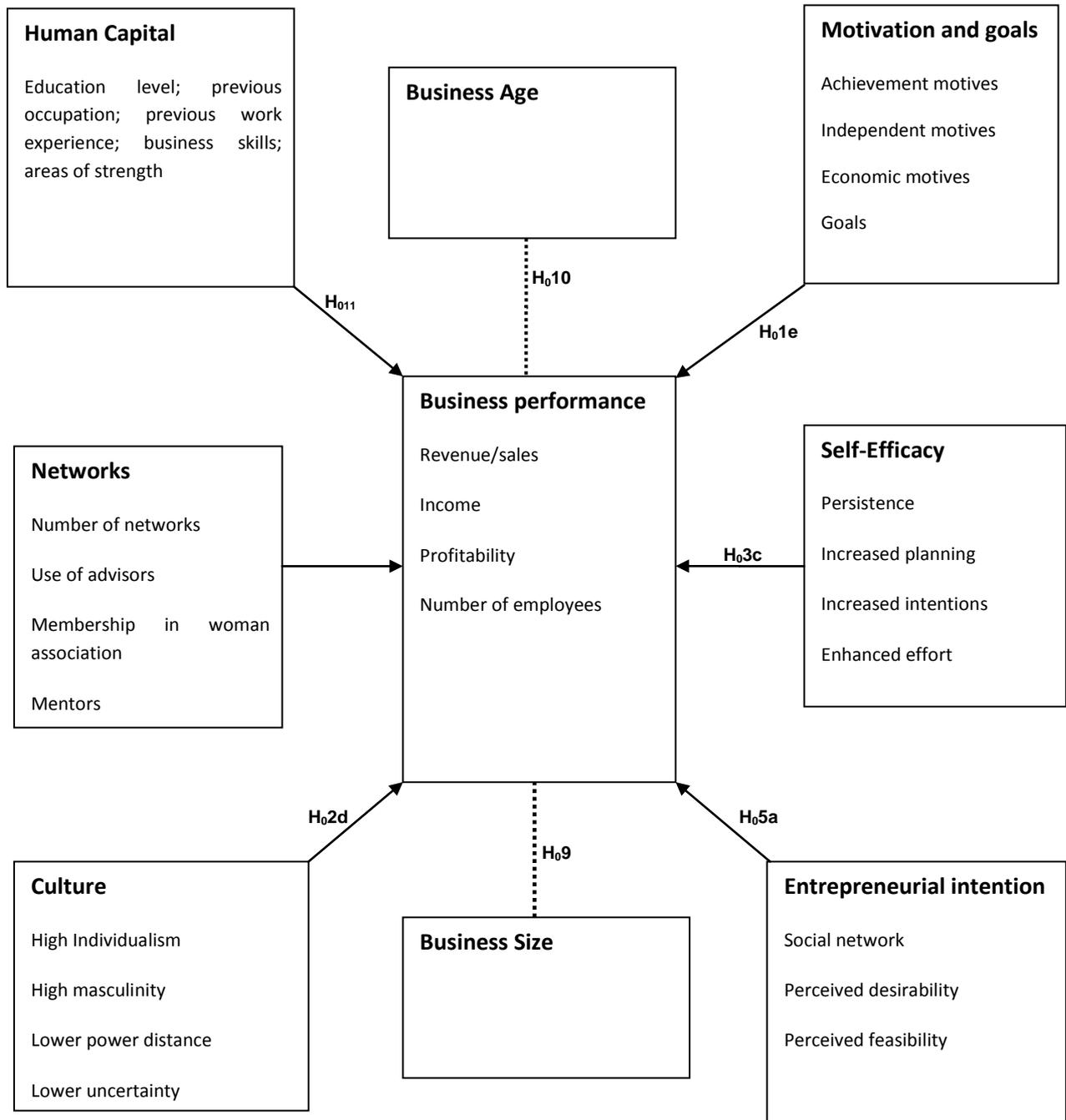


Figure 3.3: A model of business owners' performance adapted from Lerner, Brush & Hisrich, 1997

The researcher incorporated other factors in the model such as: business age, business size, culture, self-efficacy and entrepreneurial intention as contributing factors towards the business performance. These factors were tested to find their relationship to the business performance. The results on hypotheses tests are in Chapter 5 of this study. Individual factors that influence business performance are discussed next.

### **3.12.1 Individual factors that influence business performance**

In the systematic investigation of individual factors influencing the performance of businesses, the applicability of five theoretical perspectives was examined. The following discussion is organised around the theoretical perspectives.

#### *(1) Motivations and goals*

Psychological motivations like achievement, independence and locus of control have been investigated with regard to their influence on business start-up. Lerner et al (1997:321) note that a few studies which examined the relationship between motivational goals and performance found that individual motivations and the owner's goals are related to performance among entrepreneurs (opportunity motivation was related to survival and independence was associated with no growth). Due to the perceptual barriers that accompany an entrepreneurial career, it is expected that both immigrant and local entrepreneurs will be motivated by independence and achievement to ensure solid performance of their businesses.

#### *(2) Social learning theory*

Social learning can occur through observing the behaviour of others who are called role models. An individual's socialisation process (which occurs in the family setting) transmits social norms, language, educational aspirations, and shapes career preferences through observational learning and modelling (Bandura, 1997:58). Bandura found that the presence of a parent in an entrepreneurial role was associated with increased education and training aspirations, task self-efficacy and expectancy for an entrepreneurial career. The study further showed that individuals with a parent

performing an entrepreneurial role were often high performers and differed significantly from individuals without role models.

### (3) *Network affiliation*

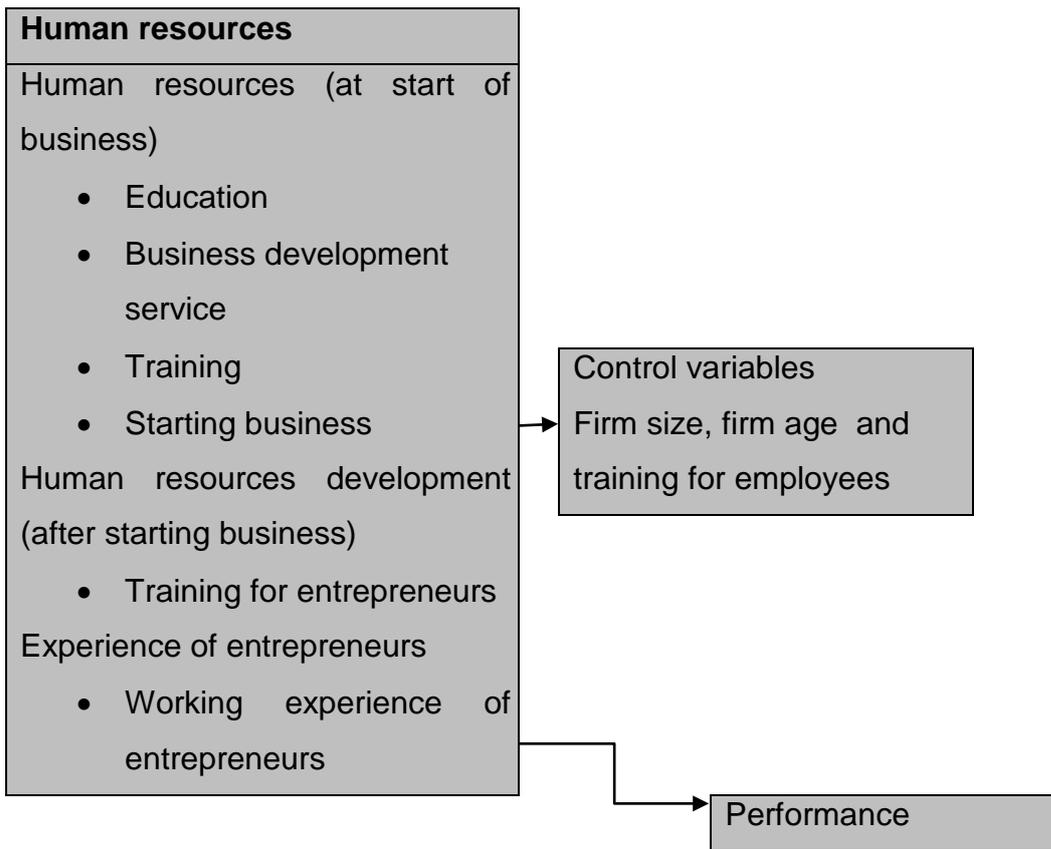
Aldrich and Zimmer (1986:19) indicate that the presence and absence of networks, like access to or membership of associations, play a major role in influencing performance. But Lerner et al (1997:322) highlight that business associates and friends were identified as important in moral support, while participation in trade associations was related to business guidance. Lerner et al (1997:324) indicate that the personal network of the entrepreneur is the most important resource of the business. Research by Carsrud and Brannback (2009:145) shows that collectivist and informal societies like those in Israel are dependent on personal contacts and relationships with key individuals who facilitate the start-up.

### (4) *Human capital/Demographics*

The perspective on human capital proposes that the level of education, area of education, previous entrepreneurial experience and business skills really influence performance. Brush and Hisrich (1991:324) indicate that the entrepreneur's years of formal education before he or she establishes a new firm were related to the performance of the business.

Takahashi (2009:30) examined the relationship between human resources and performance. He points out that performance is the objective of the business and thus it is treated as the dependent variable. The independent variables are human resources variables at the beginning of the business (including education, business development services and training on starting a business), human resources development after starting the business (that is, training for entrepreneurs) and the previous experience of entrepreneurs.

Figure 3.4 illustrates how human capital as it appears in Figure 3.3 manifests itself into performance. It shows human resources at starting, and after starting the business, how they transform into business performance.



*Figure 3.4: A conceptual framework of human capital*

(Source: Adapted from Hatch & Dyer, 2004)

Human resources are the entrepreneurs and members in the business, while human capital is more of an abstract or invisible concept embodied in the human resources. Takahashi (2009:31) views human capital as the knowledge and skills of employees, while human resources are the employees themselves. Human capital is actually possessed by the employees in terms of know-how and the trade secrets of the business. The skills and knowledge of human resources are indications of human capital that can improve productivity.

Human resources involve the productive services people provide to the business in the form of their skills, knowledge, expertise and decision-making capability for business. The education of entrepreneurs can impact the path to business success because it is the process of building absorptive capacity of managers such as confidence, psychology, knowledge and skills. Takahashi (2009:34) indicates that one of the

success factors in small business is the education level of the owner, which can assist the business to survive and manage a complex environment and keep business profitability. Thus the study suggests that:

There is no statistical significant difference between the mean values of the owner's education and business performance:  $H_0$ 11 (1–6).

### **3.12.2 Control variables of firm factors as independent variables that influence performance**

#### *(1) Firm size*

This is the key factor, as it determines how the business is managed. Bigger businesses can enjoy economies of scale as they are able to exploit available resources better than smaller business. Achieving economies of scale means bigger businesses can produce a larger quantity of outputs with low costs because they have the capacity to access critical resources like business finance (Takahashi, 2009:37). This leads to competitive advantage and better performance.

Thus the study suggests that:

There is no statistical significant difference between the mean values of the business size and business performance:  $H_0$ 9:4.

#### *(2) Firm age*

Young firms tend to have lower sales and thus lower profits, while older firms tend to be large in terms of sales turnover, number of employees and capital assets (Takalashi, 2009:38). Older firms tend to build good network business partners and customers, and have a good relationship with financial institutions. Older firms have already built a good reputation in the market. Firm age represents the experience of firms in the industry which is the influential factor for a firm's success (Takalashi, 2009:38; GEM, 2010:24).

Thus the study suggests that:

There is no statistical significant difference between the mean values of business age and business performance:  $H_0$ 10:4.

#### *(3) Training employees*

Training employees builds the human capital of a firm at a technical level. Skills of employees which are required for specific tasks become dedicated skills through

learning in different forms, and the skills eventually become core skills. Core skills can be used in new products, market-dedicated skills and innovation (Takalashi, 2009:38; Nieman & Nieuwenhuizen, 2009:13).

### **3.13 THE INFLUENCE OF SELF-EFFICACY, CULTURE, INTENTION AND MOTIVATION ON ENTREPRENEURIAL PERFORMANCE**

Self-efficacy, culture and intention have a direct influence on entrepreneurial performance.

#### **3.13.1 Self-efficacy**

This is an important motivational construct that influences individual choices, goals, emotional reactions, effort, coping and persistence. Urban (2004:37) highlights that the entrepreneurial self-efficacy construct predicts the likelihood of an individual being an entrepreneur. Studies such as that of Vancouver, Thomson, Tischner and Putka (2002:511) found that there is a positive relationship between self-efficacy and performance.

Bandura (2001:69) states that goals do not automatically activate the evaluative processes that affect performance. The degree to which goals create incentives for action is partly determined by goal specificity. Explicitly-defined goals regulate performance by designating the type and amount of effort required, and they foster self-satisfaction by furnishing clear signs of personal accomplishments. High achievers tend to make self-satisfaction contingent upon attainment of difficult goals; low achievers adopt easy goals as sufficient (Bandura, 2001:70). One's positive individual choice, goal, emotional reaction, effort, coping and persistence can impact on the performance of the business in the business environment.

H<sub>0</sub>3c on self-efficacy and business performance will be tested to find how self-efficacy impact on business performance.

### **3.13.2 Entrepreneurial intention**

The entrepreneurial intention is derived from perceptions of desirability, feasibility and a propensity to act upon opportunities. In this model, perceived desirability is defined as the attractiveness of starting a business, perceived feasibility as the degree to which an individual feels capable of doing so, and propensity to act as the personal disposition to act on one's decisions. According to Hisrich et al (2010:38), the intention of the entrepreneur towards business development will positively impact business performance. This will be tested through H<sub>0</sub>5a in Chapter 5 of this study.

### **3.13.3 Culture**

As previously stated, Hofstede (2001:56) identifies a number of different cultural dimensions to measure the cultural orientation of entrepreneurs, including power distance (the management of inequality between people), individualism (the relationship between individuals and collectives), uncertainty avoidance (stance towards the future) and masculinity (the allocation of roles between the sexes). These four cultural dimensions have a significant relationship with business performance in the business environment. This will be tested through H<sub>0</sub>2d in Chapter 5 of this study.

### **3.13.4 Motivation**

People with a strong desire to succeed should be more likely to exploit entrepreneurial opportunities and perform better than those with a weaker desire to succeed (Poon, Ainuddin and Junit, 2006:63). McClelland (1965) pointed out that in the entrepreneurship area, there is evidence that achievement motive predisposes people to engage in entrepreneurial activities and that is more pronounced among entrepreneurs than non-entrepreneurs. This has been shown to predict entrepreneurial performance (growth in number of employees, sales growth and annual income) and success in a study carried out in Western countries by Miner, Smith and Bracker (1994:626). This will be tested through H<sub>0</sub>1e in Chapter 5 of this study.

### **3.14 MOTIVATION, CULTURE, SELF-EFFICACY, INTENTIONS AND IMMIGRANT ENTREPRENEURSHIP**

The literature has investigated the relationship between entrepreneurs' motivation (whether they are driven by opportunity or necessity) and their impact on national economic development. One of the aims was to analyse the motivations that cause immigrant entrepreneurs to emigrate and start firms in the foreign country. Literature pointed that most immigrants started because they are opportunity-driven. Moreover, this allows us to study the influence of cultural assimilation because it concerns a group with strong social, historical and cultural links to the host society, in that they share a common language, customs and family ties. It is known that many Chinese people emigrated from Hong Kong to British Columbia in Canada to do business. East Asians had the highest rate of self-employment in Canada in 1986 and 1996 (Chrysostome, 2010:137). This is because of their self-belief in starting and operating a business. If an immigrant business performs well in the host country, it is likely to expand its activities in other places. The country of origin can provide known markets, social capital and economic resources. Acs (2006) pointed that economic performance of immigrants in the host society depends on that country's institutional conditions and on the entrepreneur's motivation and intentions to start a business.

### **3.15 CONCLUSION**

This chapter started with a brief review of immigrant entrepreneurs and the reasons why immigrants prefer to pursue self-employment were discussed. The reasons why self-employment performed by immigrants is different from self-employment performed by natives were also discussed. The chapter then proceeded to highlight the issue of business performance by focusing on both local and immigrant entrepreneurs.

In the next chapter, the research methodology used to address the objectives of this study is introduced.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **4.1 INTRODUCTION**

In this chapter the research methodology used to address the objectives of this study is discussed. Leedy and Ormrod (2005:2) define research as a systematic process of collecting, analysing and interpreting information (data) in order to increase our understanding of the phenomenon we are interested in or concerned with. The research design for this study comprised an exploratory study of SMEs in Gauteng to identify different motives for business start-up and their performance. This study focused on SMEs that operate in the Johannesburg and Tshwane municipalities in South Africa. Firstly, the purpose and the objectives of the research (as defined in Chapter 1) are repeated for clarity.

The exploratory study was an extensive literature review aimed at detailing and integrating a model linking different motives and intentions to start a business and venture performance. The model and the hypotheses formed the basis for the research proposal. The strategy of the research design for the formal study is also described. The research design that was used, research questions, instrument testing, target population and sample size determination, are discussed in detail. The design of the questionnaire is justified and the despatching of the questionnaires detailed. The issues of anonymity and confidentiality are also discussed.

A thorough methodological foundation directed the whole research project with respect to its planning, organising, analysing and interpretation of data, thereby ensuring the validity and reliability of all the recommendations and conclusions made from this research. Different research methods will therefore be debated, eventually justifying the preferred method chosen to research the problem.

#### **4.2 RESEARCH DESIGN AND METHODOLOGY**

A research design is a plan or a blueprint of how one intends to conduct the research (Babbie & Mouton, 2011:74; Cooper & Schindler, 2008:71). A research design means

structuring all the issues involved in planning and executing a research. It represents an overall view of the research method chosen and the reason for the choice (Leedy and Ormrod, 2005:4). Mixed research methods were used for this study, because it was thought to be a good idea to mix qualitative and quantitative research methods for optimal retrieval and gathering of information. Qualitative and quantitative data were collected through the survey method.

Most researchers confuse research design with research methodology. The difference between the two is set out in the table below.

*Table 4.1: Differences between research design and research methodology*

<b>Research design</b>	<b>Research methodology</b>
It focuses on the end-product - for example, what kind of study is being planned and what kind of results are aimed at.	It focuses on the research process and the kind of tools and procedures to be used.
The point of departure is the research problem or question.	The point of departure is the specific task at hand.
It focuses on the logic of the research: what kind of evidence is required to address the research question adequately?	It focuses on the individual steps in the research process and the “most objective” procedures to be employed.

(Source: Babbie & Mouton, 2011:75)

The research design includes the following: historical research, ethnographic research, descriptive research, experimental research, case study research, explanatory research and exploratory research. Each of these approaches will now be briefly discussed.

#### **4.2.1 Historical research**

In historical research designs, the researcher collects and evaluates data related to past events that are used to describe causes, effects and trends that may explain present or future events. The data is often archival and may include interviews.

The purpose is to collect, verify and synthesise evidence to establish facts that defend or refute your hypotheses. Primary sources, secondary sources and many qualitative data sources such as logs, diaries, official records and reports are used. The limitation is that the sources must be both authentic and valid.

#### **4.2.2 Ethnographic research**

Ethnographic research designs involve the collection of extensive narrative data over an extended period of time within natural settings. This is done to gain insights about other types of research. In an ethnographic research design, data is collected through observations at particular points of time over a sustained period.

Direct observation to give a complete snapshot of a case that is being studied is used in ethnographic research designs. It is useful when not much is known about a phenomenon. In this research design, the sample size may be small.

#### **4.2.3 Exploratory research**

Exploratory research refers to the research design aimed at examining a little understood issue or phenomenon to develop preliminary ideas and move toward refined research questions by focusing on the “what” question (Neuman, 2006:33).

According to Cooper and Schindler (2001:13), an exploratory study achieves the following:

- It clarifies the key definitions, concepts and constructs used in the study.
- It identifies previous research and helps to focus the study to avoid duplication on research work.
- It assists in the development, refining and breaking down of study propositions and sub-propositions.
- It refines the research design into the final blueprint that guided the study from the formulation of the propositions to the report about the analysis of the collected data.

The aim of exploratory research is to search for patterns, ideas and hypotheses and to contribute to the formulation of the problem statement and hypotheses (Chapter 1).

#### **4.2.4 Descriptive research**

In this research design, phenomena are described as they exist. Descriptive studies generally take raw data and summarise them in a useable form. Descriptive studies can be based on qualitative, quantitative or the mixed method research.

A descriptive research design attempts to describe and explain conditions of the present by using many subjects and questionnaires to fully describe a phenomenon. A descriptive study based on a survey research design is one of the most popular research designs.

#### **4.2.5 Explanatory research**

Explanatory research extends beyond merely describing the characteristics observed during descriptive research. It attempts to explain the reasons (why and how) of the phenomenon by discovering and measuring causal relations among variables (Cooper & Schindler, 2001:13; Hussey & Hussey, 1997:11). In the research about the immigrant and local entrepreneurs in Gauteng province in South Africa, an attempt was made to explain the following questions:

- What motivates immigrant and local entrepreneurs to start a business?
- How do immigrant and local entrepreneurs get support for their business?

The explanatory research was rooted in theory and was used to answer the “how and why” questions. The theory underpinning the study was set out in Chapters 1 and 2 of this thesis.

The ability to explain the critical variables and causal links is an essential element of explanatory research to identify and control the variables. A variable is an attribute of an

entity that can change and take different values which can be observed and/or measured (Hussey & Hussey, 1997:11). For the research about immigrant and local entrepreneurs, several of the variables took on different values which could be observed (variables such as status of business, business location, period business is in operation, foreign or local ownership, level of education, level of experience in business and gender of the owner).

#### **4.2.6 Experimental research design**

This design is most appropriate in controlled settings such as laboratories. The design assumes random assignment of subjects and random assignment to groups. It attempts to explore cause-and-effect relationships where causes can be manipulated to produce different kinds of effects. Because of the requirement of random assignment, this design can be difficult to execute in the real world (non-laboratory) setting.

#### **4.2.7 Case study research design**

Case study research design entails an in-depth study of an individual group, institution, organisation or programme. The data include interviews, field notes of observations, archival data and biographical data. Case study research design is most common to qualitative research methods.

### **4.3 THE PURPOSE OF THE RESEARCH**

Research may have one or more of the following seven purposes(Hussey & Hussey, 1997:2):

- 1) to review and synthesise existing knowledge
- 2) to investigate some existing situation or problem
- 3) to provide solutions to a problem
- 4) to explore and analyse more general issues
- 5) to construct or create a new procedure or system
- 6) to explain a new phenomenon
- 7) or to generate new knowledge

The first three purposes are actually germane to the study of the comparison of immigrant and local business owners. The research problem was triggered by a need to determine the successful strategies that immigrant entrepreneurs use in conducting their businesses, which locals do not use.

#### **4.4 THE AIMS AND OBJECTIVES OF THE RESEARCH**

The study was aimed at investigating why more immigrants seem to start businesses than locals. It was also aimed at finding out why immigrant-owned businesses seem to perform better when compared with those owned by locals. The study was directed at finding the influence that culture and self-efficacy have on entrepreneurial intention/motivation.

The objectives of the study were to find out

- how culture, self-efficacy, motivation, entrepreneurial intention and orientation affect start-ups
- if immigrant and local entrepreneurs are affected in the same way by the entrepreneurial start-up factors (culture, self-efficacy, motivation, entrepreneurial intention, entrepreneurial orientation, and business support and performance) when starting their businesses
- if immigrant and local entrepreneurs access business support
- the business performance levels of immigrant and local entrepreneurs
- how the demographic profile of the owner is affected by the entrepreneurial start-up factors

#### **4.5 THE POSITIVIST AND PHENOMENOLOGICAL RESEARCH PARADIGMS**

The two research paradigms are the positivist and phenomenological paradigms.

The researcher could adopt one of two research paradigms: either the positivism/experimental paradigm or the phenomenological/interpretive/constructivist paradigm. These paradigms form the extreme points on a continuum. The features of

the two paradigms are summarised in Table 4.2. Most of the data collected were highly specific and precise, while some were rich and subjective.

*Table 4.2: Features of the two main research paradigms*

<b>Positivist paradigm</b>	<b>Phenomenological paradigm</b>
Quantitative data tend to be produced.	Qualitative data tend to be produced.
Large samples are used.	Small samples are used.
The concern is with hypothesis testing.	The concern is with generating theories.
The data are highly specific and precise.	The data are rich and subjective.
The location is artificial.	The location is natural.
Reliability is high.	Reliability is low.
Validity is low.	Validity is high.
Generalisation is from sample to population.	Generalisation is from one setting to another.

(Source: Hussey & Hussey, 1997:54)

Corresponding to the features of a positivism paradigm, quantitative data from a random sample were collected to test several hypotheses. Data were generalised from the sample of local and immigrant SMEs in the brabys.com data population of SMEs in Gauteng. The quantitative research was a means of testing objective theories by examining the relationship among variables. The difference between quantitative and qualitative research is highlighted next.

## **4.6 THE RESEARCH APPROACH**

Researchers can use the mixed method of research with the application of quantitative and qualitative research (Pellissier, 2007:57).

### **4.6.1 Quantitative research**

Quantitative research is a formal, objective, systematic process in which numerical data are used to obtain information about the world. This research method is used to

describe variables; to examine relationships among variables; and to determine cause-and-effect interactions between variables (Leedy & Ormrod, 2005:94).

The quantitative approach allows the researcher to “answer questions about relationships among measurable variables with the purpose of explaining, predicting and controlling phenomena” (Leedy & Ormrod, 2005:94). Thus, from a quantitative perspective, the objective of this study was to validate relationships between variables in order to develop generalisations that would contribute to the theory of starting a business.

#### **4.6.2 Qualitative research**

Qualitative research is characterised by gathering and analysing textual data like data collected from interviews, focus groups, observation, surveys and conversational analysis. Research questions that can be answered by qualitative studies are questions like: What is occurring? Why does something occur? How does one phenomenon affect another? A rich and contextual description is needed to answer these questions. This type of research seeks to understand and interpret the meaning of situations or events from the perspectives of the people involved. Qualitative research is inductive rather than deductive in approach, which means it generates theory from interpretation of the evidence, albeit against a theoretical background (Spratt, Walker & Robinson, 2004:134).

The qualitative approach allowed the researcher to answer questions about the complex nature of the phenomenon of business performance. Whereas the outcome of quantitative research is the acceptance or rejection of the hypothesis that was tested, the qualitative research is likely to result in tentative answers or hypotheses rooted in emerging patterns and themes (which may require further research).

According to Leedy and Ormrod (2005:94&95), it is possible to combine the qualitative and quantitative approaches in a research project because they answer different types of questions. Both these approaches were adopted in this study.

### **4.6.3 Triangulation or mixed methods**

Triangulation is defined as “the combination of methodologies in the study of the same phenomenon” (Hussey & Hussey, 1997:74). The scholars identify four types of triangulation: namely, data triangulation, investigator triangulation, methodological triangulation and triangulation of theories. In this study, data triangulation and methodological triangulation were used to overcome potential biases and the sterility of a single-method approach. In data triangulation, data are collected from multiple sources of common themes to ensure that the information converges to support a particular hypothesis or theory (Leedy & Ormrod, 2005:99&100) and the validity of the findings. In this study, information was obtained from the [www.brabys.com](http://www.brabys.com) database.

The study incorporated methodological triangulation “where both quantitative and qualitative methods of data collection are used” (Hussey & Hussey, 1997:74). The investigator triangulation was also used because fieldworkers were used to gather information from the respondents by means of the questionnaire. To some extent, triangulation of theories (in which a theory from one discipline is used to explain a phenomenon in another discipline) is evident in a study of entrepreneurship, owing to the fact that entrepreneurship incorporates aspects of various disciplines such as business management, economics, social sciences, psychology and education (for example, learning theories).

## **4.7 THE POPULATION AND SAMPLE**

A population is “any precisely defined set of people or collection of items which is under consideration” (Hussey & Hussey, 1997:55), while a sample is defined as “a subset of a population and should represent the interest of the study” (Hussey & Hussey, 1997:55).

### **4.7.1 The population**

The population of the study was SMEs in the retail and service industry in Gauteng province of South Africa. Dockel and Ligthelm (2005:56) and Strydom and Tustin (2003:5) highlight that the demographic characteristics of the SME population are not accurately known in South Africa. However, the Department of Trade and Industry (DTI

2011:156) estimated the population of SMEs in retail and services to be approximately 10 000 in 2011 in Gauteng. The research statistics (StatsSA, 2011) indicated the number of SMEs spread over the nine provinces in South Africa and operating within diverse sectors as 1,8 million enterprises. The SME sector population in Gauteng was between 33% and 40% of the country's SMEs according to StatsSA (2011). Johannesburg had 70% of SMEs in Gauteng (DTI, 2011) and this made clear that the city was the industrial hub of business. This study focused on the SMEs in Gauteng's major cities of Johannesburg and Tshwane – areas that have experienced dramatic changes in their business, residential complexion and business make-up over the past decade. The examination of SME entrepreneurs in Johannesburg and Tshwane is of particular interest, because these two cities are the focal points for much of the recent international migratory flow into South Africa and large parts of the cities have been taken over by foreign migrants (Rogerson, 2004:5).

In particular, the study focused on SMEs in the retail and service sector. The population of SMEs in Johannesburg and the Tshwane region was at 10 000 (brabys.com. 2011). The population of the study was therefore SMEs in the retail and service sector in Gauteng province of South Africa. The study population refers to the entire group of items in which the researcher has an interest (Cooper & Schindler 2008:402). The reason to target only this sector was to acquire a thorough understanding of the retail and services industry in South Africa. The study focused on the retail and service industry because this industry is identified as the major contributor of SMEs towards the GDP (GEM, 2010:26). The GEM reported that a significant majority (almost third) of early-stage entrepreneurial activity in South Africa is in the consumer services, which include retail, lodging and restaurants, personal services and recreational services.

For this study, only one population of SMEs in Gauteng was used (namely the immigrant and local entrepreneurs). The SMEs in the population were randomly selected. The researcher sampled local and immigrant entrepreneurs from the Braby's database list since this contains the register of the leading role players in the retail and service industry in Gauteng. The population size of the immigrant and local entrepreneurs amounted to 10 000 SMEs in the retail and services industry.

#### **4.7.2 The sample and sampling method**

To select the representative sample, simple random sampling was used for the study. A sample is defined in marketing research as a subset of the population (Tustin, Ligthelm, Martins & Van Wyk, 2005:337), while sampling is the process of selecting a portion consisting of units (for example, people or organisations from a population of interest).

There are two sampling methods - namely, probability sampling and non-probability sampling. Probability samples are those in which members of the population have a known chance (probability) of being selected for the sample (Tustin et al, 2005:344). However, Cooper and Schindler (2008:408) say probability sampling is also known as random sampling and explain it as sampling based on the concept of random selection (that is, a controlled procedure that ensures each population element is given a known non-zero chance of selection). The probability methods are simple random sampling, systematic sampling and stratified sampling. The non-probability samples are instances where the chances (probability) of selecting members from the population in the sample are unknown. Non-probability sampling relies on the discretion of the researcher. The non-probability methods are judgemental sampling, purposive sampling, convenience sampling, quota sampling, and multiplicity or snowball sampling.

#### **4.7.3 The sampling frame**

Babbie (2005:206) indicates that a sample frame is the list of units composing a population from which a sample is selected and that the proportion of elements in a population that are selected to be in a sample is called a sampling ration.

Owing to the fact that an official register of immigrant SMEs in the retail and service industry in Johannesburg and the Tshwane region was not available (there was no sampling frame), the researcher started by compiling a list from various sources and SMME agencies which included the following:

- the SMME database of SMMEs that had been trained by the Department of Labour in its skills development programmes in the Gauteng province from 2005 to 2010

- the SMME database of the Tshwane Business Club
- the SMME database of the Gauteng Enterprise Propeller
- the SMME database sector education and training authorities (SETAs) for retail
- the SMME database of the DTI and its registrar of companies
- the SMME database from professional sources of [www.brabys.com](http://www.brabys.com)
- the SMME database of foreign nationals in the Tshwane region
- the SMME database of foreign nationals in the Johannesburg region

The researcher found that all the above mentioned databases were included in Braby's database. Therefore the researcher used the brabys.com population of SMEs for local and immigrant entrepreneurs in Gauteng since this organisation's register was a reliable source on the industry. The population size of brabys.com was 10 000 SMEs in the retail and service industry. The study population was therefore based on 10000 SMEs. The researcher chose the sample from the Braby's website because it boasts the largest database of SMEs comprising all business sectors in the province. This database was therefore considered representative of the SMEs in the province. On the Braby's database list, immigrant entrepreneurs were identified by identity (ID) number with a prefix at the beginning or a suffix at the end, depending on the country where the respondent came from.

As already mentioned, this study focused on the retail and service industry because this industry is identified as a major contributor of SMEs towards the GDP (GEM, 2010:26). The GEM reported that a significant majority (almost a third) of early-stage entrepreneurial activity in South Africa occurred in the retail and services industry, which includes retail, lodging and restaurants, personal services and recreational services. Barriers to entry into this sector in terms of skills and capital required are low. This resulted in this sector being an over-trade sector populated by low profit margin businesses and a high level of competition with limited markets. The SMEs of the retail and services sector have emerged as a vibrant and dynamic component of the South African economy by virtue of their significant contribution to the GDP. The sector creates employment opportunities that provide a source of living to millions of people. SMEs are one of the most viable avenues for absorbing the large surplus population engaged in the retail sector.

#### **4.7.4 The type of sample**

Probability sampling was used to ensure that each member of the SME population was given a known non-zero chance of selection. The sample was stratified to ensure adequate representivity in the retail industry group and in both sub-samples (immigrant entrepreneurs and local entrepreneurs). Stratified sampling refers to a procedure consisting of dividing the population into a number of non-overlapping sub-populations, or strata, and then taking a random sample from each stratum (Tustin et al, 2005:353). This increased the accuracy and the precision of the sample in representing the characteristics of the population of SMEs in the retail industry of the province.

#### **4.7.5 The sample size**

Determining the sample size is one of the most crucial aspects of any empirical research. Too small a sample size undermines the power of the statistical tests of significance (Hair et al, 1998:137). In order for a sample to be acceptable, it must be representative of the entire target population. A large sample size is important in reducing sampling variation, since the standard error decreases as the sample size increases. Cooper and Schindler (2008:413) point out that the cost of the research process will increase by increasing sample size, but the strategy of stratification will reduce the standard error and make the research cheaper. Stratification is the grouping of units composing a population into homogenous groups (strata) before sampling. Babbie (2011:192) explains that this procedure can be used to improve the representivity of a sample. For this study, this procedure was used in conjunction with simple random sampling. According to Cooper and Schindler (2008:409), the sample size that is acceptable is 5% of the total population. Given this study's estimate of a population of 10 000, it means that the targeted sample was 500 respondents (that is,  $10\ 000 \text{ entrepreneurs} \times 0.05 = 500 \text{ respondents}$ ).

The number of respondents targeted came to a total of 500 SMEs. According to Leedy and Ormrod (2005:207), if the population size goes beyond 5000, a sample size of 400 should be adequate.

According to the information from Braby's, the total population of 10 000 SMEs was made up of both locals and immigrant entrepreneurs. Out of 10 000 SMEs owners in Gauteng registered with Braby's, 3500 (35%) SMEs were owned by immigrant entrepreneurs and 6500 (65%) by local entrepreneurs. According to Braby's (2011), immigrant businesses made up about 35% of the total number of SMEs businesses in Gauteng.

#### **4.7.6 Confidence level and confidence interval**

The 95% confidence level was followed. The confidence level tells you how sure you can be about the results. It is expressed as a percentage and represents how often the true percentage of the population who would pick an answer lies within the confidence interval. The 95% confidence level means you can be 95% certain about the results.

The research also followed the confidence interval or the margin of error. The margin of error is the amount of error you can tolerate. If 90% of respondents answer yes to a question while 10% answer *no*, you may be able to tolerate a larger amount of error than if the respondents are split 50–50 or 45–55. A lower margin of error requires a larger sample size.

There are factors that determine the size of the confidence interval for a given confidence level. They are: sample size, percentage and population size.

- *Sample size*: The larger your sample size, the more sure you can be that the respondents' answers truly reflect the population. This indicates that for a given confidence level, the larger your sample size, the smaller your confidence interval. However, the relationship is not linear.
- *Percentage*: The accuracy in calculating the sample depends on the percentage of the sample. If 99% of your sample said yes and 1% said *no*, the chances of error are remote irrespective of sample size. However, if the percentages are 51% and 49%, the chances of error are much greater. It is easier to be sure of extreme answers than of middle-of-the-road ones.

#### **4.7.7 The sample elements**

The respondents who were targeted included SME owners, owner-managers and managers of small ventures. The targeted respondents had to meet the following criteria:

- They had to operate in the geographic proximity of Tshwane and Johannesburg.
- Their businesses had to be within the retail and service industry.
- They had to actively run the SME.
- The local entrepreneur had to have a South African identity document (ID).
- The immigrant had to have a South African work permit.

This sample size did not take into consideration that the SMEs could be further divided into the four SME-size categories (namely micro, very small, small and medium enterprises) and that they were operating across eight different subsectors of the retail industry in Johannesburg and the Tshwane region.

#### **4.8 THE DATA COLLECTION INSTRUMENT AND RESEARCH QUESTIONS**

A structured research instrument (questionnaire) was used to collect the data through an interviewer-administrated and self-administrated survey. The self-designed questionnaire was adapted from previously used questionnaires and the researcher's own input, with the questions designed using constructs and variables that had been identified in the exploratory study described in Chapters 2 and 3 of this thesis. The measurement questions were all aimed at showing or not showing the causal relationship between local entrepreneurs and immigrant entrepreneurs with certain sets of skills and related strategies.

Nice-to-have questions were eliminated. All the questions were checked in terms of whether they should really be asked, if the question had proper scope and coverage, if the respondent could adequately answer the question and if the respondent would be willing to answer the question. All the questions were therefore checked to ensure that they were relevant to the hypotheses of the study. They were also checked to ensure

that there were no double meanings and bias, and that the respondents would not mistake the meanings of the questions or what the fieldworker was trying to say. In the next section, the questions on the questionnaire are discussed.

#### **4.8.1 The Likert scale**

The Likert scale is a variation of the summated rating scale and consists of statements that indicate either a favourable or an unfavourable attitude to the research subject (Cooper & Schindler, 2001:234; Tustin et al, 2005:408). Each response is given a numerical score reflecting its degree of attitudinal favourableness. The scores of the respondents from a well-defined sample or population can be compared. Responses on the Likert scale can be treated either as ordinal or as interval (Leedy & Ormrod, 2005:185–187). Responses to a single Likert item are normally treated as ordinal data because, especially when using only five levels, one cannot assume that the respondents perceived the difference between adjacent levels as equidistant.

When treated as ordinal data, Likert responses can be collated into bar charts, central tendency summarised by the median or mode, dispersion summarised by the range across quartiles (but not standard deviation) or analysed using non-parametric tests (for example the Chi-squared test, Mann-Whitney test, Wilcoxon signed rank sum test or Kruskal-Wallis test) (Keller & Warrack, 2000:545&546). Data from Likert scales are sometimes reduced to the nominal level by combining all “agree” and “disagree” responses into two categories of “accept” and “reject”. The Chi-square test is commonly a statistical procedure used after this transformation (Keller & Warrack, 2000:545).

With a Likert scale, it is possible to derive quantitative data from primary qualitative data on an ordinal scale. This scale is the most widely used scale in survey research and is often used for questionnaires. When responding to a Likert questionnaire item, the respondents should specify their level of agreement to a statement. For example: to measure the extent to which the owner is motivated to start a business, the respondent had to select one of four options to the statement: namely, no extent, little extent, some extent or great extent. The numerical rankings (1, 2, 3 and 4) were assigned to the range of responses.

The first section of the questionnaire consisted of questions about the demographic background of the entrepreneur or the owner of the business. The demographic factors that were considered were number of employees, number of years the business is in operation, form of business, type of industry, whether owned by a foreigner or local (South African), gender of the owner, type of ownership, owner's qualification and so on. These demographic factors were elicited with mainly closed multiple-choice single response questions.

The second section consisted of investigative questions aimed at exploring what correlation may or may not have existed between the constructs and the set of behaviour. The investigative questions concerned the following:

(1) *Motivation*

The most familiar theories of individual motivation were formulated by the psychologist Abraham Maslow. Theories of human behaviour are based on careful observations and consequently theory and practice are usually closely related. Although theories can never predict behaviour with absolute certainty, because there are too many variables to take into account, they can provide one with a good indication of how people might behave in various circumstances (Smith et al, 2007:347). Respondents were asked to state to what extent certain factors influenced them in starting a business. Different reasons to start a business were given, such as: to be my own boss, to prove I can do it, to have more money, to gain public recognition, to provide jobs for my family, to survive because I had no job, to work with people I like, to continue family tradition and to follow the example of the person whom I admire.

These questions were aimed at showing or not showing their relationship with the motivation to start a business. The questions were also aimed at establishing if the motivation of entrepreneurs does indeed influence the direction and nature of business ventures. A four-point Likert scale (no extent, little extent, some extent and great extent) were used for each of the 10 questions.

The assumption was that local and immigrant entrepreneurs are motivated by different factors to start a business. The researcher wanted to see if this was true and to find out which factors affected which group and to what extent.

## (2) *Culture*

The concept of culture as used in this study was based on the work of Hofstede (2001) who posits that human problems and their solutions are limited in number. Hofstede (2001:147) found statistical evidence for four underlying dimensions of culture, together with their consequences, that reflect a given society's culture in the institutions and behaviour it maintains.

The respondents were asked to state the extent to which they agreed with statements on cultural values and dimensions:

- *values*: success is owning a business; success is being promoted up through the ranks in business; having a lot of money means you come from an influential family; time is a limited resource; being successful means making a lot of money; being an entrepreneur means running a business; there is a duty to uphold the values and reputation of your family; starting a business means the probability of not getting past employment back; starting a business is risky due to uncertainty, but this adds to the excitement of your life
- *cultural dimensions*: high individualism, masculinity, uncertainty avoidance and power distance

The questions were aimed at showing the relationship between culture and entrepreneurial performance. A five-point Likert scale (strongly disagree, disagree, neutral, agree and strongly agree) were used for the values and dimensions of culture.

The assumption was that the decision of local and immigrant entrepreneurs to start a business is based on different cultural factors. The researcher wanted to see if this was true and to find out which factor affected which group and to what extent.

### (3) *Self-efficacy*

The construct of self-efficacy that was outlined in this thesis builds on underlying mechanisms of self-efficacy beliefs identified in social cognitive theory. The theory of self-efficacy was advanced by Bandura and his colleagues (Bandura, 2001:122) to explain individual variability in attaining goals. The strength of these beliefs and the certainty with which they are held are personal self-efficacy beliefs relative to that set by challenges.

The respondents were asked to state the effort they put into dealing with different situations. Self-efficacy was measured through the following questions (as designed by Bandura, 1982) about the extent to which one manages: to get through to the most difficult employee; to promote team support; to keep employees on task; to motivate employees who show low interest in their work; to get employees to work together; to overcome the influence of negative employees on employees achieving goals; and to get employees to do their work. Bandura's questionnaire on self-efficacy was also used. Bandura's questionnaire covers the sections on disciplinary self-efficacy, efficacy to enlist business involvement and general self-efficacy. The questions indicate the factors that influence individual choice, goals, emotional reaction, effort, coping and persistence to start a business. The questions were aimed at getting the respondents to indicate the extent to which they (entrepreneurs) viewed certain factors as a basis for their start-ups. A five-point Likert scale (none, very little, moderate, quite a bit and a great deal) were used for each of the four questions with sub-sections.

The assumption was that local and immigrant entrepreneurs have different beliefs about being able to attain various levels. The researcher therefore wanted to see if this was true and to find which factor affected which group and to what extent.

### (4) *Entrepreneurial intention*

The construct "entrepreneurial intention" was based on Krueger's work which tested Shapero's conceptual model. Krueger (1993:58) tested Shapero's conceptual model of entrepreneurial intention and found that perceived desirability directly and positively influenced entrepreneurial intention. He even claimed that attitudes are particularly

relevant to our understanding of how various exogenous factors influence entrepreneurial intention.

The respondents were asked to state to what extent they agreed with statements on entrepreneurial intention. The factors were grouped into: social network, perceived desirability and perceived feasibility. This section was aimed at establishing the extent to which a person's entrepreneurial intent is influenced not just by self-efficacy but by some human capital factors and social capital factors. These factors inform the intention to start or not to start a business. A five-point Likert scale (strongly disagree, disagree, neutral, agree and strongly agree) was used for each of the three questions with sub-sections.

The assumption was that local and immigrant entrepreneurs intend to start businesses because of different factors. The researcher therefore wanted to see if this was true and to find out which factor affected which group and to what extent.

#### (5) *Business performance*

This concept was based on Rauch, Wiklund, Lumpkin and Frese's work (2009:763) in which they argue that social structures like workplace, family and organised social life affect entrepreneurs' access to entrepreneurial opportunities and may influence performance.

The respondents were required to state how their businesses performed in the past five years. The questions were aimed at finding out the extent to which businesses had performed in the following areas: income, profit, market share, return on income or investment, number of employees and product line. A five-point Likert scale (decreased significantly, decreased a bit, no change, increased a bit and increased significantly) was used for each of the six questions that were asked.

The assumption was that immigrant entrepreneurs perform better than local entrepreneurs in doing business. The researcher therefore wanted to see if this was true and to find out which factor affected which group and to what extent.

## (6) *Support*

The last section of the questionnaire asks the respondents to indicate the type of support they got from either the government or their community. The questions were aimed at showing the extent to which entrepreneurs received support for the survival of their businesses. Business support can be for finances, training, procurement and counselling by either the government or the community. The Minister of Trade and Industry introduced the Network Facilitator Guideline in 2010 to support the development of SMMEs. A five-point Likert scale (strongly disagree, disagree, neutral, agree and strongly agree) was used for the four questions that were asked to measure the different forms of support the entrepreneurs were given.

The assumption was that local and immigrant entrepreneurs get different support to start their businesses. The researcher therefore wanted to see if this was true and to find out which factor affected which group and to what extent.

### **4.8.2 The pilot study**

Once developed, the questionnaire was tested in a pilot study by conducting interviews with a sample of 20 SMEs, which was followed by a group discussion to strengthen the quality of the answers to the questionnaire and to identify unclear or ambiguously-formulated items. This was also done to observe non-verbal behaviour signifying discomfort in responding to a particular section or question, and to detect flaws in the measurement procedures and the selected instrument. From the 20 interviews, anomalies were identified and eliminated as well as questions which did not lead to meaningful answers. For example, Question 11 of Section A which was supposed to be answered by only the immigrants. This served as a check on whether the planned measurement questions met the data needs of the research question. The questions were then revised and the instrument was refined accordingly.

### **4.8.3 The data collection method**

The data was collected by means of self-administered questionnaires. The researcher was initially led to believe that a fairly updated database of contact details of immigrant

entrepreneurs in Gauteng existed. This did not turn out to be the case. The researcher received a database list from the DTI with both immigrant and local entrepreneurs, but it was not indicated on the list whether a business was small or large. The database list also did not show whether the business was run by a foreign national or local/South African. The researcher also received a list from the Gauteng Enterprise Propeller, but it did not include foreign nationals. The list also showed no contact details for some business owners. The Tshwane Business Club provided their database list of SMEs in Tshwane only and the Vaal Business Club's list of businesses in Johannesburg was available, but only a few agreed to participate in the study. The researcher then used Braby's database list of SMEs in Gauteng. This is a reliable source, since it shows all the registered SMEs according to sector, with the contact details of the owner or entrepreneur.

Fieldworkers were trained by the researcher on how to complete the questionnaire with the respondents. Trained fieldworkers conducted interviews using the self-administered questionnaire. Interviews enable clarification and probing when necessary and can also be used to encourage responses that would have failed to materialise with other approaches. The respondents who were selected were invited via e-mail and telephone to participate in the study. Their contact details were obtained from the Brabys database list of SME owners in Gauteng. Further telephone calls were made to respondents who had not responded to e-mail invitations. Follow-up telephone calls were done to get more respondents to agree to participate in the study.

The researcher made an appointment with the respondents on behalf of the fieldworkers by telephone, prior to their visit to the business premises. The dates and times of the appointments were agreed upon with the respondents.

The fieldworkers (six in total) were sent to the respondents to collect the data. The questionnaire requested the cooperation of the respondents, provided information about the purpose of the research and assured the respondents of confidentiality.

One of the fieldworkers was a Kenyan fieldworker who could communicate in languages such as French, Portuguese and the languages of Pakistan. He assisted with the interviews of the immigrants. Asking the respondents the questions in their home

language had the advantage of putting them at ease. The only disadvantage was the possibility that the fieldworker could be biased in terms of the interpretation of the respondents' answers.

The fieldworkers were allowed to leave the questionnaire with respondents who did not have time to complete it with a fieldworker. The fieldworkers arranged with the respondents when the questionnaire could be collected. The data gathering took place during the period from September 2011 to December 2011. The research questionnaire was completed by both immigrant entrepreneurs and local entrepreneurs (SMEs). All the interviews were conducted on the business premises with the owner/manager, besides the copies of the questionnaire that were left at the business premises for later collection. Follow-up telephone reminders after seven days contributed to a high response rate, which led to a total of 466 questionnaires being returned or 93,2% of 500.

#### **4.9 VALIDITY, RELIABILITY AND TEST STATISTICS**

Validity and reliability are central issues in all measurements. Validity refers to measuring instruments that show the extent to which differences in score on the measurement reflect true differences among individuals, groups or situations in terms of the characteristics. They are used to measure or reflect true differences in the same individual or group rather than constant or random errors. Reliability refers to the degree of reliability of a measurement or low variation between the results of different samples of the same population. Mouton and Marais (1990:79) explain that an important consideration when collecting data is the reliability of the research instrument.

Reliability in this study was enhanced by using fieldworkers and randomly selected businesses from the Braby's database list, since this organisation's register is a reliable source of information on the industry. The researcher participated by checking that all the questionnaires were correctly completed. To determine the reliability and validity of the data, Cronbach's alpha and descriptive statistical techniques were used.

The Chi-square test was used to test for significant differences between the observed distribution of data among categories and the expected distribution based on the null

proposition (Cooper & Schindler, 2001:485). The t-test was used to test propositions stating that the mean score on some variables will be significantly different for two independent sample groups. The t-test was used to compare the sampled businesses for local and immigrant entrepreneurs.

The study also used the analysis of variance (ANOVA). ANOVA is the statistical method used for testing the null proposition, such that the means of several populations are equal.

#### **4.10 CONCLUSION**

The chapter provided a description of the methodology applied in this study. It focused on the research questions posed to find out why immigrants seem to start businesses more than local people. The study was also aimed at finding out why immigrant-owned businesses seem to perform better than those owned by locals. In the study, all seven of the different research types were utilised, albeit to varying degrees, and each was expounded. The data collection method was based on personal responses and was collected through research questionnaires. In the next chapter, the processing and analysis of the data are explained and the research findings used to answer the research questions.

## **CHAPTER 5**

### **ANALYSIS AND INTERPRETATION OF THE DATA**

#### **5.1 INTRODUCTION**

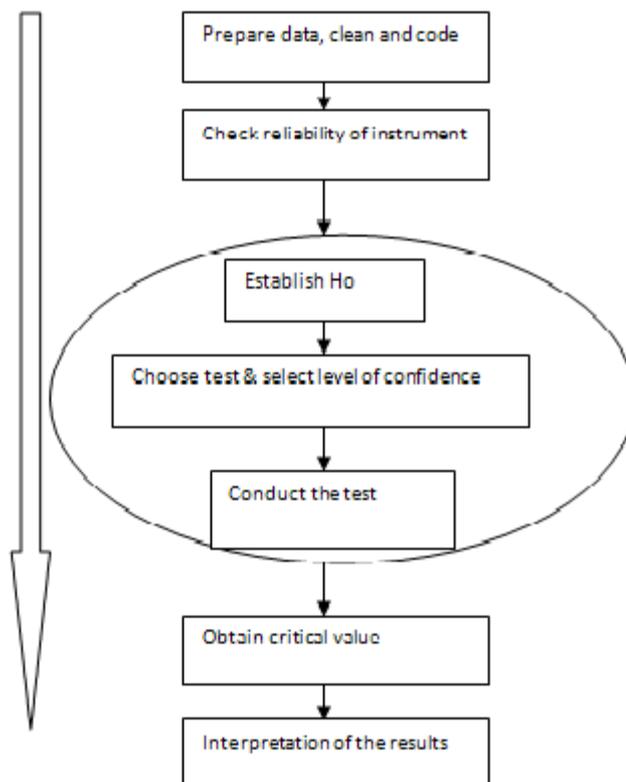
In the previous chapter, the research methodology that was used in this study was outlined and specific information about the research purpose, goals and objectives, population and sample, research methods and design, research instrument used, data collection process, and reliability and validity of the data was provided. This chapter contains a summary of the data analysis and the interpretation of the research findings based on the responses from the respondents who completed the quantitative research questionnaires.

The first section of this chapter provides a descriptive analysis of data. The second section focuses on the business demographics of the respondents and all the essential business information is examined. In both sections, descriptive statistics are used to analyse the data characteristics in terms of shape, skewness and spread. The next section contains an explanation of how the data analysis was done.

#### **5.2 THE DATA ANALYSIS METHOD**

The questionnaire for the study incorporated all four data types: namely, nominal, ordinal, interval and ratio scale data types.

Once the data were collected, the steps adapted from Cooper and Schindler (2008:476) were applied to analyse the data. Figure 5.1 illustrates the steps in analysing data.



*Figure 5.1: Data-analysing steps*

(Source: Adapted from Cooper & Schindler, 2008:476)

Terre Blanche and Durheim (2002:105) point out that in quantitative research, data analysis is normally used to refer to the process of breaking down collected data into constituent parts to obtain answers to research questions. Data analysis involves reducing the accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. Scaled responses or questionnaires require that during the analysis various functions be derived and relationships among variables be explored. Furthermore, researchers must interpret the results in the light of the research questions or determine if the results are consistent with their propositions and theories, and make recommendations based on the interpretation of the data (Cooper & Schindler, 2008:93).

### **5.2.1 Preparation of the data**

Data analysis begins with the editing and coding of the data. Editing includes checking data collection forms for omission, legibility and consistency in classification; discarding

completed responses that have missing data; and identifying potential error in data collection and discussing its implications (Zikmund, 2003:74). This coding of data includes code development, coding the data, and accommodating “Don’t know” responses. The data is thereafter entered into a user-friendly and retrievable database or spreadsheet, and SPSS statistical software is used. For this study, the questionnaires were processed by the Bureau for Market Research of the University of South Africa. The SPSS statistical package of SAS was used to compile descriptive and inferential statistics.

### **5.2.2 Coding of open-ended questions**

Open-ended questions are more difficult to analyse because the comments on them tend to be diverse and cannot be as easily codified as those for closed questions (Pellisier, 2007:72). Codes were assigned to the various categories. The researcher then coded the open question in the questionnaires to ensure consistency in the interpretation of the responses to the open-ended question. Respondents did not answer the open-ended question.

## **5.3 DESCRIPTIVE STATISTICS**

To have a broader appreciation of the data collected; descriptive statistical techniques were used to describe the characteristics of the population or samples. The descriptive statistics were aimed at describing the data by investigating the distribution of the score for each variable by determining whether the scores on different variables were related to each other (Terre Blanche & Durheim, 2002:105). This reduced the data set and allowed for easier interpretation. It was important to carry out this analysis because it provided a broad biography of the data under study. This enabled the contextualisation of the results. This statistical method provided information that helped in deciding whether the central location value could be regarded as a reliable representative value of all the observations in the data.

The descriptive statistics summarise the general nature of the data obtained. It measures the averageness of the attributes, the variability between sections of data and the interrelatedness of characteristics. The descriptive statistics were used to point out

location tendency (mean, median and mode), spread (variance, standard deviation, range and interquartile range) and shape (skewness and kurtosis). The arithmetic average or mean ( $\bar{X}$ ) comprised a point which coincided with the sum of the scores divided by the number of scores. The standard deviation ( $S$ ) showed the variation from the average of the data (Diamantopoulos & Schlegelmilch, 2002:97). Calculating the standard deviation of the theoretical distribution of the sample reflected how far the sample means could be derived from the population mean.

(1) *Response rate*

Out of the targeted sample of 500 SMEs, 466 responses were received which yielded a 93.2% response rate. The researcher used only those questionnaires in which all the items were completed in the statistical analysis. About 20 questionnaires were excluded as they had too many missing entries or incorrect entries. About 200 SMEs had more than five employees and had existed as businesses for more than three years.

(2) *Personal demographics*

The personal demographic variables for which information was obtained included age, gender, business location, ownership, number of employees, foreign or local employees, nature of industry, qualification and origin of owner. Below is the presentation of the personal demographics of the two respondent samples in the form of tables and figures.

### **5.3.1 The average age of the respondents**

The descriptive statistics was generated using SASv4 statistical software to find frequencies and percentages for the “age” variable. This is given in a summary statistic for the mean factor scores. The average age of the respondents is indicated in Table 5.1.

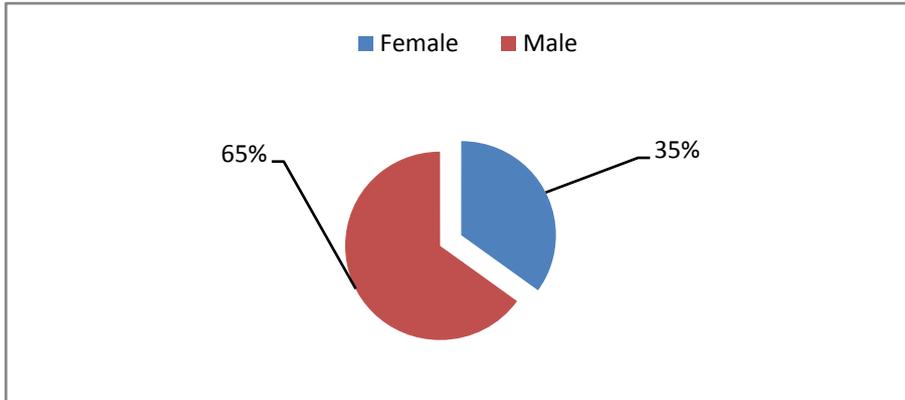
Table 5.1: The age groups of the respondents

	Frequency	Percentage	Valid percentage	Cumulative percentage
<i>Valid: 20-29 years</i>	124	026.8	027.1	027.1
<i>30-39 years</i>	173	037.4	037.8	064.8
<i>40-49 years</i>	100	021.6	021.8	086.7
<i>50-59 years</i>	39	008.4	008.5	095.2
<i>50+ years</i>	22	004.8	004.8	100.0
<i>Total</i>	458	098.9	100.0	
<i>Total</i>	463	100.0		

Of the owner-managers, 173 (37.8%) were 30 to 39 years old; 124 (27.1%) were 20 to 29 years old; 100 (21.8%) were 40 to 49 years old; 39 (8.5%) were 50 to 59 years old; and 22 (4.8%) were older than 50 years. Therefore the majority (86.7%) of the business owners were between 20 and 49 years of age, while a few (13.3%) were 50 years and above. It seems that younger entrepreneurs (20–49 age brackets) were more likely to engage in business than older people (50 years and more). This reflects the interaction between the need to start and operate a business, which tends to reduce with age. The trend is similar to that found in an overall GEM sample. South Africans aged between 20 and 49 years are clearly the most entrepreneurially-active. The GEM (2010:36) reported that the increased entrepreneurial activity is an indication of a maturing entrepreneurial population in South Africa who regard entrepreneurship as a career choice.

### 5.3.2 The gender composition of the owner-managers

Figure 5.2 below presents the gender composition of the respondents.



*Figure 5.2: The gender composition of the owner-managers*

Of the owner-managers who responded, 295 (64%) were males and 160 (35%) were females. The response rate implies that the small business industry is dominated by males. The GEM (2010) reported that the ratio of male to female participation in entrepreneurial activity varies across the total sample of GEM countries, reflecting differences in culture and customs regarding female participation in the economy. The GEM (2009) reported that in South Africa, men are 1, 5 times more likely to be involved in entrepreneurial activity than women. This is therefore a correct reflection of the situation in South Africa. The 2010 GEM Global Report indicates that for many Latin American countries (Argentina, Chile, Brazil and Peru), the gender gap in total entrepreneurial activity is low. In Brazil, women are more likely to be involved in TEA than men.

### **5.3.3 The business location**

The owner-managers were asked to indicate where their businesses were located.

Table 5.2: Business location

Location	Frequency	Percentage	Valid Percentage	Cumulative Percentage
<i>Valid: Central business district</i>	293	063.3	064.0	064.0
<i>Township</i>	114	024.6	024.9	088.9
<i>Informal settlement</i>	2	000.4	000.4	089.3
<i>Rural area</i>	15	003.2	003.3	092.6
<i>Industrial site</i>	7	001.5	001.5	094.1
<i>Other (Specify: Suburbs)</i>	27	005.8	005.9	100.0
<i>Total</i>	458	098.9	100.0	
<i>Total</i>	463	100.0		

Table 5.2 indicates that of the SMEs, 293 (64%) were located in the CBD, 114 (24.9%) were in townships, 27 (5.9%) were specified as being in suburbs, 15 (3.3%) were in rural areas, 7 (1.5%) were at industrial sites and 2 (0.4%) were in informal settlements. It can be concluded that most (64%) businesses were located in the CBD, while only 0.4% were in informal settlements.

#### 5.3.4 Area where the business operates

Both South African and foreign owners were asked to indicate where their businesses operate.

Table 5.3: The area where the business operates

		South African		Foreign owner	
		Count	Column %	Count	Column %
<b>Where is your business operating?</b>	<i>Central business district</i>	131	60.4	146	68.5
	<i>Township</i>	64	29.5	043	20.2
	<i>Informal settlement</i>	0	00.0	002	00.9
	<i>Rural area</i>	11	05.1	002	00.9
	<i>Industrial site</i>	5	02.3	002	00.9
	<i>Other (specify)</i>	6	02.8	018	08.5

Table 5.3 above shows that foreigners mostly (68.5%) operated businesses in the central business district (CBD) and in towns and townships (20.2%), while local owners mostly operated in the CBD (60.4%) and in townships (29.5%). The percentages of area of operation by both foreigners and locals are more or less the same. It can be deduced that both foreigners and locals look for high traffic business areas when they choose a business site.

### 5.3.5 Own or rented premises

This question was designed to establish the ownership of business premises. Figure 5.3 shows the percentage of rented and owned premises.

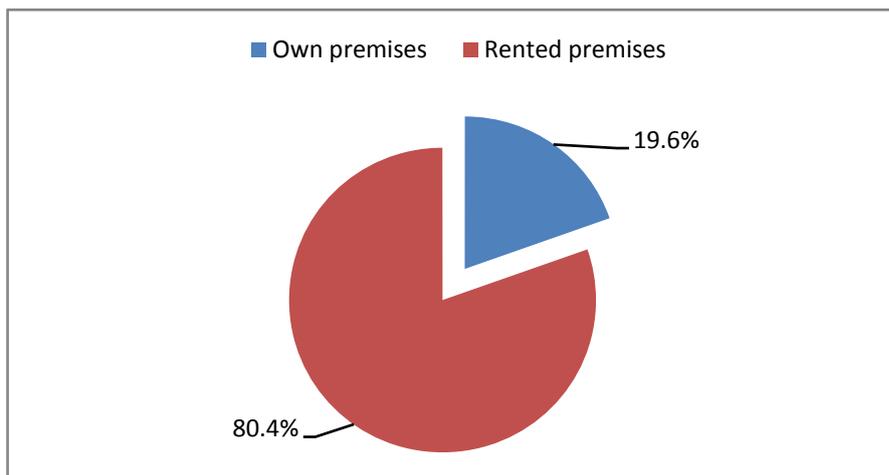


Figure 5.3: Own or rented premises

Of the respondents, most (80.4%) business owners rented business premises, while few (19.6%) owned the business premises. This is understandable, given that they operate mainly from the CBD and townships where it is expensive to own buildings / premises.

### 5.3.6 Type of ownership

It is important to establish the type of businesses these owners are operating.

Figure 5.4 below shows the type of ownership of the SMEs. Most of the businesses, 259 (56, 6%), were sole proprietors; followed by 114 (25%) in partnerships, 66 (14.4%) were close corporations and nine (2%) were private companies.

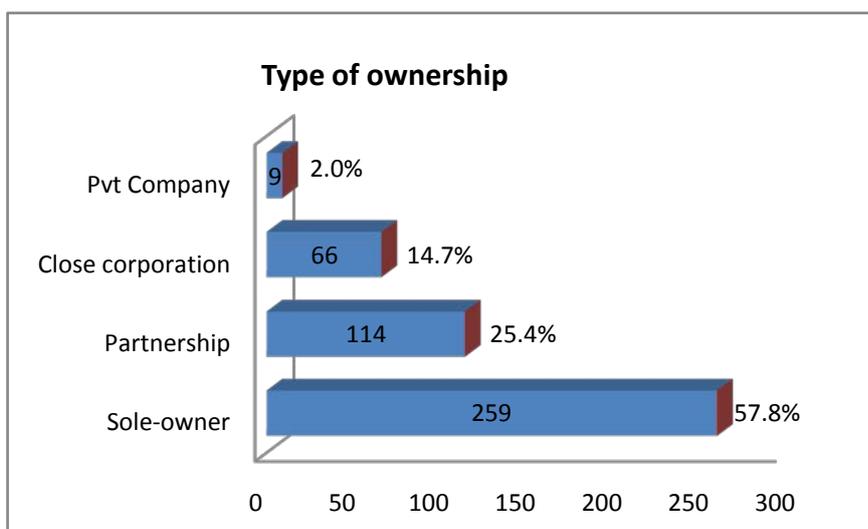


Figure 5.4: Type of ownership

From the figure above, it can be concluded that the most common type of business ownership was sole proprietor (57.8%) and partnership (25.4%), while the least common (14.7% and 2%) were close corporation and private companies respectively. Thus more businesses were owned by sole owners because this form of business has no formalities linked to establishment and it is cheap and easy to maintain. A partnership also has advantages for owners, which include lack of formalities, low cost in forming, easy to maintain, privacy, tax advantages, sharing skills and expertise, and access to capital of partner(s). The new Companies Act of 2008 stipulates that no new close corporations could be registered from 1 May 2011. The new Act made provision for close corporations to convert to companies without any payment. Only 2% of SMEs were registered as private companies, since this form of business has a high degree of legal regulation and higher levels of formalisation. The more formal a business is, the better its potential to contribute to the economy.

### 5.3.7 The number of employees

The table below shows the sizes of the businesses measured by the number of employees. The business sizes were measured as follows: 1 to 5, 6 to 50, 51 to 100, 101 to 200, and 201 and more. The outcomes of the survey are shown in Table 5.4 below.

Table 5.4: The number of employees

Number of employees	Frequency	Percentage	Valid Percentage	Cumulative Percentage
<i>Valid 1–5</i>	311	67.2	068.5	068.5
<i>6–50</i>	135	29.2	029.7	098.2
<i>51–100</i>	006	01.3	001.3	099.6
<i>101–200</i>	001	00.2	000.2	099.8
<i>200+</i>	001	00.2	000.2	100.0
<i>Total</i>	454	98.1	100.0	

Of the respondents, 68.5% employed one to five employees, 29.7% employed six to 50 employees, 1.3% employed 51 to 100 employees and only one (0.2%) employed 101 to 200 and 200 and above respectively. 68.5 % of business owners who employ between 1 and 5 employees would be regarded as micro-businesses, according to the National Small Business Act 26 of 2003 while 29.7% employ between 6 to 50 employees and are said to be medium businesses, according to the same act. Only 1.3 % employ between 51 and 100% employees. According to Abor and Quartey (2010), SMEs in Gauteng province contribute 52 to 57% to GDP at provincial level and provide 61% of employment and contribute 36% alone on GDP at national level. This indicates the importance of SMEs towards the economic growth in the country.

### 5.3.8 The period the business is in operation

There was a need to find out the age of the business. This is because the longer the business has been operating, the more experience is obtained in the industry. Age is also an indication of the survival of a business. The older the business, the more it is assumed to contribute to the economy.

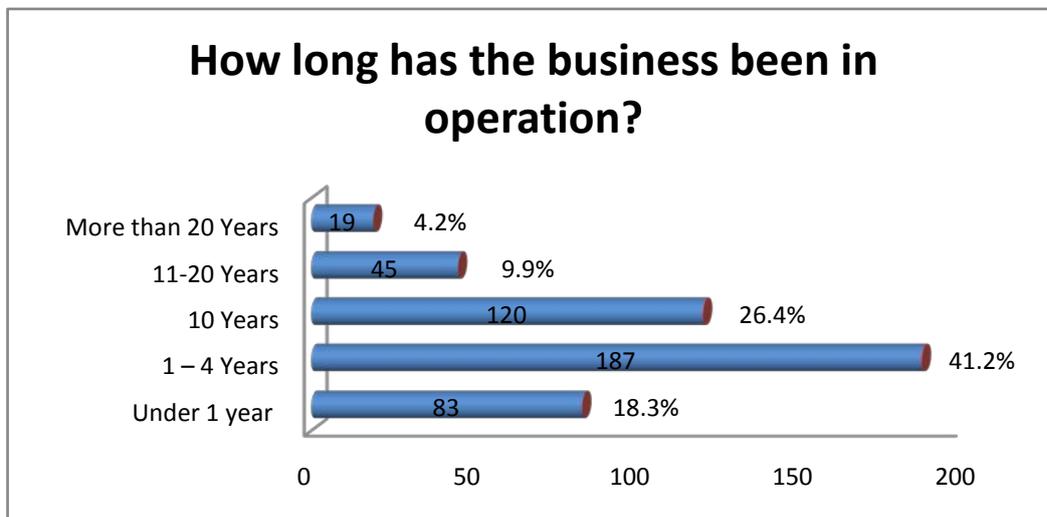


Figure 5.5: The period the business is in operation

Of the sampled businesses, 41.2% existed for between one and four years, 26.4% existed for between five and 10 years, 18.3% existed for less than one year, and 9.9% existed for between 11 and 20 years. Finally, 4.2% had been in existence for more than 20 years. Results show 41.2% of new entrants (1 to 4 years) to the business arena

and the number reduces to 26.4% when it reaches 10 years and further reduction (9.9%) between 11 to 20 years and more reduction (4.2%) at more than 20 years. This implies that fewer businesses are sustained for longer periods. It is therefore deduced that the more the number of years businesses are in operation, the less the survival rate.

### 5.3.9 The nature of the industry in which the business operates

Table 5.5 below indicates the nature of the industry in which the business operated.

*Table 5.5: The nature of the industry*

Nature of industry	Frequency	Percentage	Valid Percentage	Cumulative Percentage
<i>Valid: Retail</i>	183	039.5	043.4	043.4
<i>Wholesale</i>	30	006.5	007.1	050.5
<i>Repair</i>	38	008.2	009.0	059.5
<i>Service</i>	151	032.6	035.8	095.3
<i>Other</i>	20	004.3	004.7	100.0
<i>Total</i>	422	091.1	100.0	
<i>Total</i>	463	100.0		

Of the sampled businesses, 183 (43.4%) operated in the retail industry, 151 (35.8%) operated in services, 38 (9%) operated in repairs and 30 (7%) operated in wholesale. The GEM (2010) reported that a significant majority (almost a third) of early-stage entrepreneurial activity in South Africa happened in the consumer services, which includes retail, lodging and restaurants, personal services and recreational services. Barriers to entry into this sector in terms of skills and capital required are low. This resulted in this sector being an over-trade sector populated by low profit margin businesses and a high level of competition with limited markets.

### 5.3.10 The highest educational qualification of the owner-manager

The GEM (2010) reported that education increases an individual's belief in starting a business and also the possibility that the business will survive beyond start-up phase. It is therefore important to understand the educational levels of the owner-managers.

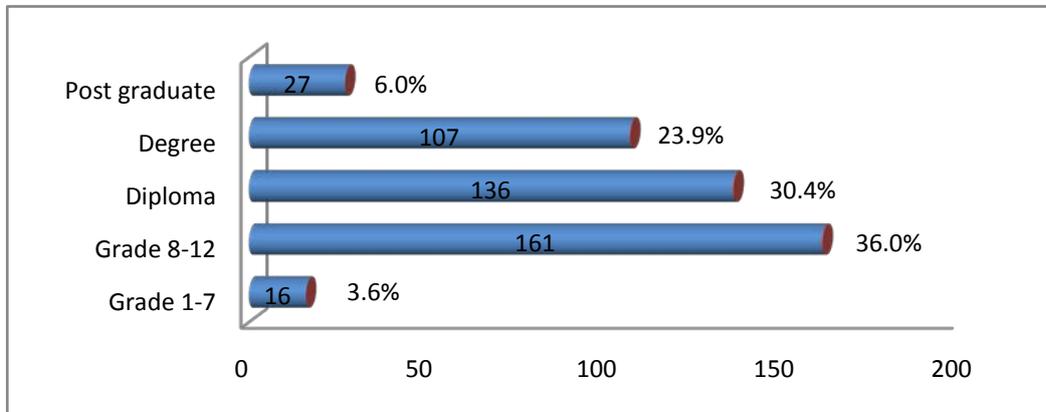


Figure 5.6: The highest qualification of the owner

Of the respondents, 36% had only completed between Grade 8 and Grade 12; 30.4% held a diploma; 23.9% held a degree; 6% held postgraduate degrees and only 3.6% completed between Grade 1 and Grade 7. With more business owners holding a postgraduate qualification, (30, 4%) and a degree (23, 9%) respectively, it could be expected that potential success is enhanced among those businesses.

The study further investigated the educational qualifications of business owners in relation to their origin. This differentiation assisted in determining which group of business owners hold the highest educational qualifications.

Table 5.6: Highest qualifications according to origin of owners

Owner's highest qualification	South African		Foreign owner	
	Count	percentages	Count	percentages
Grade 1–7	7	03.2	8	3.9
Grade 8–12	71	32.9	81	39.5
Diploma	67	31.0	58	28.3
Degree	51	23.6	52	25.4
Other (specify)	20	09.3	6	2.9

This shows that most (39.5%) immigrant business owners operated their businesses with Grade 8 to 12 as their highest qualification, while only 32.9% of local owners operated their businesses with Grade 8 to 12 as their highest qualification. A total of 25.4% of the immigrant owners have degrees, while 23.6% of the local business owners also have degrees. There seems to be not much difference when it comes to primary schooling, diplomas and degrees. A slight difference (6.6 %) exists with regards to secondary education. It is therefore concluded that education does not affect the performance of immigrant and local businesses differently. Local and foreigner-owned SMEs have more or less the same level of education.

### 5.3.11 The origin of the owner(s)

Figure 5.7 below shows the origin of the business owners.

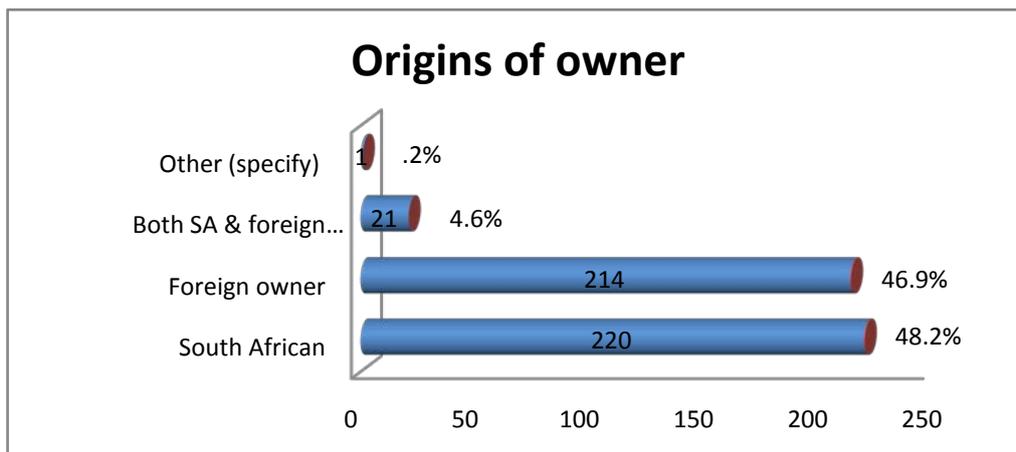


Figure 5.7: The origin of the owner(s)

Figure 5.7 above shows that of the 456 respondents, (in order of most to least) 220 (48.2%) were South African; 214 (46.9%) were foreign owners, and only 21 (4.6%) SMEs were owned by both foreign and local nationals. The results support the deliberate design by the researcher to have at least 35% of the total respondents being of foreign origin. Of interest is the small percentage (4.6%) of joint ownership.

According to StatisticsSouth Africa (StatsSA, 2010), Gauteng had the highest number (48%) of SMEs than all the provinces in the country and reportedly also the highest number of foreign businesses than other provinces. Gauteng's major cities of

Johannesburg and Tshwane have experienced dramatic changes in their business and residential complexity and business make-up over the last decade. The examination of the entrepreneurs of SMEs in Johannesburg and Tshwane is of particular interest because the two cities are the focal point of much of the recent international migratory flow into South Africa and large parts of these cities have been taken over by foreign migrants (Rogerson, 2005:5).

### 5.3.12 Years in the country before owning a business

The number of years the business owner has been in the country before owning a business is also important because it shows how soon an individual is able to start a business after immigrating. Table 5.7 below shows the number of years the foreign owner had been in the country before owning a business.

*Table 5.7: Years in the country before owning a business*

Years in country before owning a business		Frequency	Percentage	Valid Percentage	Cumulative Percentage
<i>Valid</i>	<i>Less than 1 year</i>	73	015.8	027.2	027.2
	<i>1–5 years</i>	117	025.3	043.7	070.9
	<i>6–10 years</i>	49	010.6	018.3	089.2
	<i>11 years +</i>	29	006.3	010.8	100.0
	<i>Total</i>	268	057.9	100.0	
<i>Total</i>		463	100.0		

Most of the foreign respondents (43.7%) had been between one and five years in the country before becoming business owners; 73 (27.2%) had been in the country for less than a year before owning a business; 49 (18.3%) had been here between six and 10 years, while less (10.8%) had been here 11 years and more before owning a business. This shows that most foreign nationals started businesses soon after their arrival in

South Africa. Immigrants in general have lower labour force participation rates, lower employment rates, and are less qualified and therefore have to accept less skilled jobs or go into self-employment (Salaff, 2002:3). These background characteristics of immigrants and their labour market position push them to enter self-employment as soon as is possible.

### 5.3.13 Foreign or local employees

The study wanted to establish the employment patterns of foreign and local owners. The assumption was that foreign owners would employ only foreigners (their own) and local owners employ only locals.

*Table 5.8: Foreign or local employees*

	<b>South African owner</b>	<b>Foreign owner</b>
South African employees	64,8%	11,8%
Foreign employees	4,7%	39,6%
SA and foreign employees	28.6%	48.1%
Other employees	1.9%	0.5%
Total	100	100

The table shows that South African owners employ more (64.8%) of South African employees and fewer immigrant employees (4.7 %). The table further shows that foreign owners employ more foreign employees (39.6%) than local employees (11.8 %). The study therefore dispels the issue that foreigners are taking jobs from local workers because the table shows that South African owners employ more locals than foreigners. However, both groups employ quite a reasonably high level of employees, with 28.6% employed by South African owners and 48.1% employed by the foreign owners.

### 5.3.14 Motivation to start a business

The respondents were asked to rate the extent to which certain factors influenced them in starting a business (see Appendix A). Different reasons for starting a business were

given: to be my own boss, to prove I can do it, to have more money, to gain public recognition, to provide jobs for my family, to survive because I had no job, to work with people I like, to continue family tradition and to follow the example of the person whom I admire. The results of the survey are shown in the table below:

*Table 5.9: Motivation to start a business*

	<b>Frequency</b>	<b>No extent</b>	<b>Little extent</b>	<b>Some extent</b>	<b>Great extent</b>
<i>To be my own boss</i>	457	08.0	06.7	21.2	62.9
<i>To prove I can do it</i>	450	10.6	12.5	22.7	51.4
<i>To have more money</i>	452	05.8	06.9	18.6	66.3
<i>To gain public recognition</i>	450	28.9	20.7	23.1	24.4
<i>To provide jobs for family members</i>	450	26.3	19.2	18.8	32.8
<i>To survive because I had no job</i>	445	37.6	12.7	13.6	32.2
<i>To work with people I like</i>	443	36.7	18.0	17.9	22.9
<i>To follow the example of the person whom I admire</i>	447	34.4	18.6	17.9	29.2
<i>To continue family tradition</i>	453	52.5	15.3	10.4	19.7

Table 5.9 shows the consolidated score of the motivation to start a business. In determining the extent to which owners were influenced in starting a business, the table indicates that:

- 66.3% of the respondents had been influenced to a great extent to start a business to have more money, while a few (5.8%) had not been influenced to start a business to have more money
- 62.9% had been influenced to a great extent to be their own boss, while only 8% had not been influenced to start a business to be their own boss
- 51.4% had been influenced to start a business because they wanted to prove they could do it, while a few (10.6%) had not been influenced to start a business to prove they could do it

- 32.8% had been influenced to start a business to provide jobs to family members, while 26.3% had no intention to start a business to provide jobs for family members
- 52.5% had not been influenced to start a business, because they wanted to continue the family tradition, while 19.7% had been influenced to a great extent to start a business, because they wanted to continue the family tradition
- 37.6% had not been influenced to start a business because they had no job, while 32.2% had been influenced to a great extent to start a business, because they had no job

These results show that most (66.3% and 62.9%) business owners started their businesses because they wanted to have more money and be their own bosses respectively, while very few (5.8% and 8%) of them had not been influenced to start a business because they wanted to have money to be their own bosses respectively.

### 5.3.15 Origin of owner and access to government support

The study determined if both groups of owners get a select form of business support from government for their business survival. The results are shown on Table 5.10 below.

Table 5.10: Business support

South Africans						Foreigners					
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Training	72.1	04.8	04.3	10.0	08.7	Training	85.3	04.7	01.9	02.8	05.2
Finance	75.0	07.7	06.7	07.7	02.9	Finance	87.7	06.6	01.4	02.4	01.9
Procurement	77.8	06.3	05.3	07.7	02.9	Procurement	87.3	06.1	02.4	02.4	01.9
Counseling	78.6	11.2	04.4	03.4	02.4	Counseling	85.3	06.2	01.9	02.8	03.8

From the table, it can be concluded that most (72% local [L] and 85.3% foreign [F]) business owners did not receive any business training from the government to start their businesses, while a few (8.7% [L] and 5.2% [F]) did receive business training from the

government. It also shows that most (75% [L] and 87.7% [F]) of the business owners did not receive any financial help from the government, while only a few (2.9% [L] and 1.9% [F]) indicated that they received financial help from the government.

It can also be concluded that most (77.8% [L] and 87.3% [F]) of the business owners did not receive any tender or procurement from the government, while a few (7% [L] and 1.9% [F]) confirmed they received support through procurement from government. It also shows that most (78.6% [L] and 85.3% [F]) of the business owners did not receive any counselling support from the government, while a few (2.4% [L] and 3.8% [F]) received counselling support from the government.

As shown in Table 5.10, though both businesses do not seem to get government support, foreign business owners seem to be worse off compared to the local owners. This would be expected, given that most government assistance packages are meant for locals. The differences in the support extended to the two groups would be tested for significance later in the chapter.

In addition to the descriptive statistical analysis, further analysis was done by checking its validity and reliability. Data analysis, reliability and validity are discussed next.

#### **5.4 VALIDITY AND RELIABILITY**

Validity and reliability are central issues in all measurements. Leedy and Ormrod (2005:27) indicate that the reliability and validity of the measurement instrument influence the extent to which one can learn from the phenomenon being studied (that is, the probability of statistical significance and the extent to which one can draw meaningful conclusions from the data). Validity refers to the extent to which the instrument measures what it is supposed to measure, while reliability refers to the consistency with which a measuring instrument yields a specific result, provided that the entity being measured remains the same. Reliability also refers to the degree of reliability of a measurement or low variation between the results of different samples of the same population (Mouton & Marais, 1990:79). Mouton and Marais (1990) say that an important consideration when collecting data is the reliability of the research instrument. This is supported by Babbie (2005:146) who states that reliability is the quality of the

measurement method which suggests that the same results would be reached each time in repeated data collection.

In simple terms: the purpose of validity is to measure what we intend to measure, but the results need to be reliable and valid, while reliability is just the degree to which measures are free from error and therefore reveal consistent results.

One of the commonly-used measures of reliability is Cronbach's alpha coefficient ( $\alpha$ ); which provides a measure of internal consistency. It can estimate the proportion of true score variance that is captured by the items by comparing the sum of item variances with the variance of the sum scale (Pellissier, 2007:57).

Item analysis is done to assess the reliability of the different dimensions or constructs in the questionnaire via Cronbach alpha values. According to Hair et al (1998:118), a Cronbach alpha of above 0.8 is regarded as good; an alpha value between 0.6 and 0.8 is regarded as acceptable reliability; an alpha value of below 0.6 is regarded as unacceptable reliability. Nunnally (1978) suggested a cut of 0.7 as acceptable reliability. This study will adopt the measure of 0.6 as acceptable.

To determine the reliability of the data, a reliability analysis Cronbach alpha was used to test all seven constructs. The reliability coefficients in respect of the various criteria of the data with their results are reflected in the tables below.

#### 5.4.1 Reliability test: Motivation

Table 5.11: Cronbach's reliability test of the construct "motivation"

	Cronbach's alpha
<i>To be my own boss</i>	0.658
<i>To prove I can do it</i>	0.656
<i>To have more money</i>	0.659
<i>To gain public recognition</i>	0.624
<i>To provide jobs for family members</i>	0.641

<i>To survive because I had no job</i>	0.667
<i>To work with people I like</i>	0.629
<i>To continue family tradition</i>	0.640
<i>To follow the example of the person whom I admire</i>	0.641
<b>Total</b>	<b>0.646</b>

The reliability for the construct “motivation” is acceptable, with an overall Cronbach’s alpha value of 0.646. Variables like “to work with people whom I like” and “to gain public recognition” showed low alpha values, while other variables showed a higher alpha (to survive because I had no job; to have more money and to be my own boss).

#### 5.4.2 Reliability test: Culture

Table 5.12: Cronbach’s reliability test of the construct “culture”

	Cronbach’s alpha
<i>Success is owning a business.</i>	0.766
<i>Success is being promoted up through the ranks in business.</i>	0.768
<i>Having a lot of money means you come from an influential family.</i>	0.763
<i>Time is a limited resource.</i>	0.779
<i>Being successful means making a lot of money.</i>	0.766
<i>There is a duty to uphold the values and reputation of your family.</i>	0.777
<i>Starting a business means the risk of not getting back past employment.</i>	0.778

<i>Starting a business is risky due to uncertainty, but this adds to the excitement of your life.</i>	0.778
<i>I look at my own interest before considering other people.</i>	0.778
<i>I look at family interest before considering other people.</i>	0.777
<i>I believe in belonging to a group.</i>	0.796
<i>I believe in myself only.</i>	0.784
<i>Men should be assertive, ambitious and competitive.</i>	0.767
<i>Women should be modest and concerned with quality of life.</i>	0.769
<i>Quality of life is based on material success.</i>	0.764
<i>Men dominate in material success.</i>	0.761
<i>Interpersonal relationships should be a priority.</i>	0.772
<i>I feel threatened by unknown situations.</i>	0.779
<i>If I can get employment in a company, I will take it.</i>	0.781
<i>I believe that ambiguous situations and unfamiliar risks are typical.</i>	0.772
<i>I believe in being tolerant, unemotional and less aggressive.</i>	0.781
<i>Discussion with employees on business matters is helpful.</i>	0.780

<i>Enforcing rules on employees helps.</i>	0.784
<i>Skills, wealth, status and power are based on effort.</i>	0.775
<i>People are unequal in terms of physical and intellectual capabilities.</i>	0.775
<b>Total</b>	<b>0.775</b>

The reliability for the construct “culture” is acceptable, with an overall Cronbach's alpha value of 0.775. All the cultural variables showed higher alpha values of above 0.6.

#### 5.4.3 Reliability test: Self-efficacy

Table 5.13: Cronbach's reliability test of the construct “self-efficacy”

	<b>Cronbach's alpha</b>
<i>To promote team support.</i>	0.840
<i>To keep employees on task.</i>	0.840
<i>To motivate your employees who show low interest in their work.</i>	0.836
<i>To overcome the influence of negative employees on employees achieving goals.</i>	0.837
<i>To get employees to follow business rules.</i>	0.840
<i>To control disruptive behaviour in the business.</i>	0.838
<i>To prevent problem behaviour in the business.</i>	0.841
<i>To make employees feel comfortable coming to work.</i>	0.835
<i>To get your business involved in working with a community group.</i>	0.849
<i>To get local colleges and universities involved in working with your business.</i>	0.851
<i>To make your business a safe place to work in.</i>	0.841
<i>To make employees enjoy coming to work.</i>	0.835

<i>To reduce employee absenteeism.</i>	0.839
<i>I always manage to solve difficult problems in business.</i>	0.849
<i>If someone opposes me, I can find the means and ways to get what I want.</i>	0.855
<i>I am confident that I can deal efficiently with unexpected events.</i>	0.851
<i>It is easy for me to stick to my aims and accomplish my goals.</i>	0.850
<b>Total</b>	<b>0.843</b>

The reliability for the construct “self-efficacy” is good, with an overall Cronbach’s alpha value of 0.843. All the variables in this construct have high alpha values of above 0.6.

#### 5.4.4 Reliability test: Entrepreneurial intention

Table 5.14: Cronbach's reliability test of the construct “entrepreneurial intention”

	<b>Cronbach's alpha</b>
<i>Social network influenced intentions toward business start-up.</i>	0.616
<i>Social network is strengthened by frequency of contact with my family and friends.</i>	0.593
<i>Strong ties with business-related knowledge, skills and experience provide access to specific information and the resources necessary for business start-up.</i>	0.617
<i>Values, attitude, information and skills gained from strong ties, contribute toward increased entrepreneurial intentions.</i>	0.619
<i>I was attracted to start a business because of my family.</i>	0.598
<i>I was attracted to start a business because of my personal exposure to entrepreneurship.</i>	0.601
<i>I was attracted to start a business because of cultural influences.</i>	0.588

<i>I was attracted to start a business because of friends.</i>	0.588
<i>I started business because of my previous experience in business.</i>	0.615
<i>I believe in myself.</i>	0.633
<i>I couldn't find a job.</i>	0.632
<i>I was redundant at my workplace.</i>	0.637
<b>Total</b>	<b>0.628</b>

The reliability for the construct “entrepreneurial intention” is acceptable, with an overall Cronbach’s alpha value of 0.628. All variables show high alpha values. Although it is not as good as the construct self-efficacy, it shows the acceptable alpha values of 0.58 to 0.61 and above; this is still acceptable.

#### 5.4.5 Reliability test: Entrepreneurial orientation

Table 5.15: Cronbach's reliability test of the construct “entrepreneurial orientation”

	Cronbach's alpha
<i>One should try new ways of doing things.</i>	0.821
<i>One should adopt from competitors new ways of doing business.</i>	0.827
<i>One should try new lines of products or services.</i>	0.830
<i>One should try many new lines of products or services.</i>	0.803
<i>Typically responds to actions that competitors initiate.</i>	0.822
<i>It is unimportant to have a strong proclivity for low-risk projects.</i>	0.811
<i>My social network is strengthened by frequency of contact with my family and friends.</i>	0.789

<i>Strong ties with business-related knowledge, skills and experience provide access to specific information and the resources necessary for business start-up.</i>	0.805
<i>Values, attitude, information and skills gained from strong ties contribute toward increased entrepreneurial intentions.</i>	0.814
<b>Total</b>	<b>0.814</b>

The reliability for the construct “entrepreneurial orientation” is acceptable, with an overall Cronbach’s alpha value of 0.814. All the variables showed high alpha values of above 0.6.

#### 5.4.6 Reliability test: Business support by government

Table 5.16: Cronbach's reliability test of the sub-construct “business support by government”

	Cronbach's alpha
<i>Training – Government</i>	0.851
<i>Finance – Government</i>	0.836
<i>Procurement – Government</i>	0.837
<i>Counselling – Government</i>	0.856
<b>Total</b>	<b>0.845</b>

The reliability for the sub-construct “business support by government” is good with an overall Cronbach’s alpha value of 0.845. All the variables showed high alpha values of above 0.6.

#### 5.4.7 Reliability test: Business support by community

Table 5.17: Cronbach's reliability test of the sub-construct “business support by community”

	Cronbach's alpha
<i>Training – Community</i>	0.859
<i>Finance – Community</i>	0.865
<i>Procurement –Community</i>	0.852
<i>Counselling – Community</i>	0.852
<b>Total</b>	<b>0.857</b>

The reliability for the sub-construct “business support by community” is good with an overall Cronbach’s alpha value of 0.857. All variables show high alpha values of above 0.6.

#### 5.4.8 Reliability test: Business performance

Table 5.18: Cronbach's reliability test of the construct “business performance”

	Cronbach's alpha
<i>My business income has increased/decreased.</i>	0.862
<i>My business profits have increased/decreased.</i>	0.864
<i>My market share has increased/decreased.</i>	0.885
<i>My return on income increased/decreased.</i>	0.867
<i>The number of employees increased/decreased.</i>	0.905
<i>The product lines have increased/decreased.</i>	0.917
<b>Total</b>	<b>0.883</b>

The reliability for the construct “business performance” is good with an overall Cronbach’s alpha value of 0.883. The reliable Cronbach coefficient alpha value

validates that the individual items of a dimension measured the same dimension (concept) in the same manner (consistently). All the variables show high alpha values.

The descriptive statistics analysis findings show that the shape and spread of the data was normal and therefore acceptable. This finding is consistent across the data set. Data reliability and validity were further tested through correlation designs. It can be concluded that all the constructs show acceptable Cronbach alpha above the recommended measure of 0.6.

The study's hypotheses are to be tested and discussed next, starting with the relationships between the different constructs.

## **5.5 THE CORRELATIONS BETWEEN THE DIFFERENT CONSTRUCTS**

To test the strength of the relationships between the different constructs, a correlation matrix analysis was conducted. Correlation is a measure of the relation between two variables. In probability theory and statistics, correlation (often measured as a correlation coefficient) indicates the strength and direction of a linear relationship between two random variables. The type of relationship is determined by other techniques such as regression (Hair et al, 1998:149).

A positive correlation indicates that as a value for one variable increases, values for the second variable also increase; whereas with a negative correlation, as values for one variable increase, values for the second variable decrease. The second characteristic of a correlation coefficient is its size. Larger absolute values of a correlation coefficient indicate a stronger relationship between the two variables (Tustin et al, 2005:639).

The study hypothesis was used in an attempt to establish the extent and degree of the relationships between the different variables or factors. It is therefore the degree and nature of these hypotheses tests that result in the acceptance or rejection of the propositions. Owing to the fact that most of the study's propositions theories are on some relationships, the correlation outcomes are important findings on the research. The Pearson correlation was carried out on seven factors: motivation, culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation, business performance

and business support. The correlation coefficient ( $r$ ) denotes the strength of the relationship between two variables or constructs. The  $r$ -value of  $-1$  implies the negative correlation; the  $r$ -value of  $0$  implies no correlation and the  $r$ -value of  $1$  implies a perfect positive correlation (Tustin et al, 2005:639). A correlation coefficient is a pure number, not expressed in any measurement. It is independent of the size and units of measurement of the original data.

The results of the correlation matrix which prove or disapprove the hypothesis tests are shown in Table 5.19 on the next page.

Table 5.19: The correlation matrix

Construct		Motivation	Culture	Self-efficacy	Entrepreneurial orientation	Entrepreneurial intention	Performance	Business support
<i>Motivation</i>	Pearson correlation	1.000	0.422**	0.249**	0.221**	0.306**	0.168**	0.031
	Sig. (two-tailed)		0.000	0.000	0.000	0.000	0.000	0.512
	N	461	461	461	460	461	457	458
<i>Culture</i>	Pearson correlation	0.422**	1.000	0.377**	0.180**	0.334**	0.237**	0.256**
	Sig. (two-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	461	462	462	461	462	458	459
<i>Self-efficacy</i>	Pearson correlation	.249**	.377**	1	0.296**	0.286**	0.315**	-0.050
	Sig. (two-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.282
	N	461	462	462	461	462	458	459
<i>Entrepreneurial orientation</i>	Pearson correlation	0.221**	0.180**	0.296**	1.000	0.367**	0.196**	-0.112
	Sig. (two-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.017
	N	460	461	461	461	461	457	458
<i>Entrepreneurial intention</i>	Pearson correlation	0.306**	0.334**	0.286**	0.367**	1.000	0.202**	0.074
	Sig. (two-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.113
	N	461	462	462	461	462	458	459
<i>Performance</i>	Pearson correlation	0.168**	0.237**	0.315**	0.196**	0.202**	1.000	0.058
	Sig. (two-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.218
	N	457	458	458	457	458	458	455
<i>Business support</i>	Pearson correlation	0.031	0.256**	-0.050	-0.112	0.074	0.058	1.000
	Sig. (two-tailed)	0.512	0.000	0.282	0.017	0.113	0.218	0.000
	N	458	459	459	458	459	455	459

Confidence interval: 99% $\alpha=0.01$ \*\* and Confidence interval: 95% $\alpha=0.05$ \*

### 5.5.1 Motivation

The relationship between motivation and the factors culture; self-efficacy; entrepreneurial intention; entrepreneurial orientation; business performance and business support was tested using the Pearson correlation. This was to test Hypothesis 1, that there is no significant relationship between motivation and the stated variables:  $H_{01a}$  culture;  $H_{01b}$  – self-efficacy;  $H_{01c}$  – entrepreneurial orientations;  $H_{01d}$  – entrepreneurial intentions;  $H_{01e}$  – business performance; and  $H_{01f}$  – business support.

All the p-values were within the range -1 to +1. The results in Table 5.19 show the existence of a positive correlation between motivation and all the variables (as reflected by the correlation coefficient values of 0.422; 0.249; 0.221; 0.306; 0.168; 0.031 respectively). However, the correlations are significant between culture and self-efficacy, entrepreneurial orientations, entrepreneurial intentions and business performance at the 99% confidence level and not with business support. The correlation between culture and business support is positive, but is not significant even at the lower confidence level of 95%.

Each of these correlations is discussed in detail below.

#### (1) *Motivation and culture:*

*The null hypothesis  $H_{01a}$ :* There is no significant correlation between culture and motivation to start a business.

There is a significant positive correlation between culture and motivation to start a business, as shown by the coefficient value of 0.422 at a 99% confidence level. The null hypothesis is therefore rejected. Thus, an individual entrepreneur is motivated to start a business because of his or her cultural background.

This result supports the literature on motivation which indicates that motivation for business formation is not universal and the differences in cultural frames of reference would account for differences in the motivation for business formation. Therefore, this finding is expected, considering the fact that culture determines the identity of a

human group the same way personality determines the identity of an individual person.

(2) *Motivation and self-efficacy*

*The null hypothesis  $H_01b$ :* There is no significant correlation between the motivation to start a business and self-efficacy.

The positive correlation coefficient value 0.249 and p-value of 0.0001 between motivation and self-efficacy is significant at a 99% level of confidence. The null hypothesis is rejected. Thus, an individual entrepreneur is motivated to start a business because of his or her self-belief that he or she can be successful.

The results support the literature as self-efficacy was identified as a key motivational component in Ford's (1996:34) model of individual creative action. The motivation of entrepreneurs does influence the direction and nature of business ventures. Self-efficacy is what drives people to behave in certain ways -for example, to think of starting a business. Self-efficacy is an important motivational construct that influences individual choices, goals, emotional reactions, effort, coping and persistence (Bandura, 2001:26).

(3) *Motivation and entrepreneurial orientation*

*The null hypothesis  $H_01c$ :* There is no significant correlation between motivation to start a business and entrepreneurial orientation.

The results show a correlation coefficient value of 0.221 and a p-value of <0.0001, between motivation and entrepreneurial orientation which is significant at a 99% level of confidence. The null hypothesis is rejected. It is therefore concluded that there is a significant correlation between the motivation to start a business and entrepreneurial orientation. Wiklund & Sheperd (2003:12) indicated that businesses with entrepreneurial orientation have the capability of discovering and exploiting new market opportunities like starting new businesses.

#### (4) *Motivation and entrepreneurial intention*

*The null hypothesis  $H_{01d}$ :* There is no significant correlation between motivation and entrepreneurial intention.

The correlation coefficient value of 0.306 between motivation and entrepreneurial intention is significant at the 99% level of confidence. The positive correlation of 0.306 indicates a strong relationship between one's motivation to start and one's intention to start a business. The null hypothesis is therefore rejected.

The results support the literature which states that entrepreneurship motivation introduces new constructs and combines them in specifying that the intention to become an entrepreneur is a function of the three variables, which are: the perceived desirability of self-employment (DSE), the perceived feasibility (self-efficacy) of self-employment (SE) and tolerance for risk (TR). Intention in the motivational process is comparable to meaning in behavioural action. It points to the purposive or means-end structure of the act whereby every element is related to its aim as to a source of meaning. Intentions may relate to instrumental acts. The role of intention is twofold: (1) it cognitively inserts an object or an act into the means-end structure and (2) it channels the motivation of the cognitively-processed need toward the instrumental act (Halish & Kuhn, 1987:316). Such a strong relationship is therefore not surprising.

#### (5) *Motivation and business performance*

*The null hypothesis  $H_{01e}$ :* There is no significant correlation between motivation to start a business and business performance.

The correlation coefficient value of 0.168 between motivation and performance is significant at a 99% level of confidence. The null hypothesis is therefore rejected. It is therefore concluded that there is a significant correlation between the motivation to start a business and business performance. Motivated entrepreneurs perform much better in business than entrepreneurs who are not motivated.

The results support the literature by Hisrich and Brush (1997:321), who highlighted that individual motivation and owner's goal are related to performance among entrepreneurs, where opportunity motivation was related to survival and independence was associated with no growth.

(6) *Motivation and business support*

*The null hypothesis  $H_01f$ :* There is no significant correlation between motivation to start a business and business support.

The results show that the correlation value of 0.031 between motivation and business support is not significant at a 99% level of confidence. This means that there is a positive but not significant relationship between the motivation to start a business and business support. The null hypothesis is therefore accepted.

The reason for this may be that entrepreneurs are motivated to start businesses by themselves first (intrinsic factors) before external factors, such as business support, kick in. This may also be because of the perceived lack of business support for entrepreneurship from the government and the community, as earlier indicated in Sections 5.4.6 and 5.4.7.

This finding supports McClelland (1961)'s internal locus of control which indicates that an entrepreneur is motivated by achievement, affiliation and independence (intrinsic factors) and not by money or other external support systems.

In the next section, the hypotheses on culture ( $H_02$ ) are tested against the other four constructs.

## **5.5.2 Culture**

The relationship between culture and the variables self-efficacy, entrepreneurial intention, entrepreneurial orientation, business performance and business support was tested, using the Pearson correlation coefficient. This was to test the hypotheses  $H_02$ : that there is no significant relationship between culture and the other constructs;

H<sub>0</sub>2a – self-efficacy; H<sub>0</sub>2b – entrepreneurial orientations; H<sub>0</sub>2c – entrepreneurial intentions; H<sub>0</sub>2d – business performance and H<sub>0</sub>2e – business support.

Each of the correlation results is discussed in detail below.

(1) *Culture and self-efficacy*

*The null hypothesis H<sub>0</sub>2a:* There is no significant correlation between culture and self-efficacy.

The correlation coefficient value of 0.377 between culture and self-efficacy is significant at a 99% level of confidence. The null hypothesis is therefore rejected.

It is therefore concluded that there is a significant correlation between the culture of an individual entrepreneur and his or her self-efficacy. One's belief in oneself to start or run a business depends on one's cultural background. Culture shapes one's self-efficacy.

The results support the literature where it shows the 10 value types distinguished by Schwartz (1999): respect, commitment and acceptance of the customs and ideas that traditional culture or religion provide (which include accepting my portion in life, humble, devout, respect for tradition and so on). A strong tradition in the entrepreneurship literature links an entrepreneur's beliefs with low uncertainty avoidance.

(2) *Culture and entrepreneurial orientation*

*The null hypothesis H<sub>0</sub>2b:* There is no significant correlation between culture and entrepreneurial orientation.

The correlation coefficient value of 0.180 and p-value of <0.0001 between culture and entrepreneurial orientation is significant at a 99% level of confidence. The null hypothesis is therefore rejected.

It is therefore concluded that there is a significant correlation between the culture of an individual entrepreneur and his or her entrepreneurial orientation.

The results support the literature by Thomas and Muller (2000:290) who posited in their review of culture and entrepreneurial potential that one would expect some cultures to be more closely associated with certain entrepreneurial orientations than others. A culture that is supportive of entrepreneurship is therefore likely to breed more entrepreneurs and the opposite would also be true.

*(3) Culture and entrepreneurial intention*

*The null hypothesis H<sub>0</sub>2c:* There is no significant correlation between culture and entrepreneurial intention.

The correlation value of 0.334 between culture and entrepreneurial intention is significant at a 99% level of confidence. The null hypothesis H<sub>0</sub>2c is therefore rejected.

It is therefore concluded that there is a significant correlation between the culture of an individual entrepreneur and his or her intention to start a business.

The results support McClelland (1961), who indicated that societies with cultures that emphasise achievement are more successful than societies that do not. The propensity to engage in entrepreneurship may be affected by the surrounding culture.

*(4) Culture and business performance*

*The null hypothesis H<sub>0</sub>2d:* There is no significant correlation between culture and business performance.

The correlation coefficient value of 0.237 between culture and performance is significant at a 99% level of confidence. The null hypothesis is therefore rejected.

It is therefore concluded that there is a significant correlation between the culture of the individual entrepreneur and the performance of the business. A person's cultural background can contribute towards positive business performance. The dimension of power distance and uncertainty avoidance influences the structure and function of the business and leads to different implicit models in people's minds of what a business should be. National culture is accepted in the literature as a contextual

parameter that affects the performance of the business (Hofstede, 2001:161). An entrepreneurial culture, for example, would most likely result in better business performance.

(5) *Culture and business support*

*The null hypothesis H<sub>0</sub>2e:* There is no significant correlation between culture and business support.

The correlation coefficient value of 0.256 between culture and business support is significant at a 99% level of confidence. The null hypothesis is therefore rejected.

It is therefore concluded that there is a significant correlation between culture and business support from either the government or the community. An entrepreneurial culture is likely to have entrepreneurial support structures in place, be it from government, community or family.

In the next section, the hypotheses on self-efficacy (H<sub>0</sub>3) are tested against the other four constructs.

### **5.5.3 Self-efficacy**

A relationship between self-efficacy and the factors entrepreneurial intention, entrepreneurial orientation, business performance and business support was tested using the Pearson correlation coefficient. This was to test the hypotheses that there is no relationship between self-efficacy, H<sub>0</sub>3 and the other variables. H<sub>0</sub>3a – entrepreneurial orientations; H<sub>0</sub>3b – entrepreneurial intentions; H<sub>0</sub>3c – business performance; and H<sub>0</sub>3d – business support.

Each of these correlations is discussed in detail below.

*Self-efficacy and entrepreneurial orientation; entrepreneurial intention; business performance and business support*

*The null hypothesis  $H_03a$ :* There is no significant correlation between self-efficacy and entrepreneurial orientation ( $H_03a$ ), entrepreneurial intention ( $H_03b$ ), business performance ( $H_03c$ ) and business support ( $H_03d$ ).

The correlation coefficient values of ( $H_03a$ ) 0.296; ( $H_03b$ ) 0.286 and ( $H_03c$ ) 0.315 between self-efficacy and entrepreneurial orientation, entrepreneurial intention and business performance are significant at a 99% level of confidence. The null hypotheses  $H_03a$ ;  $H_03b$  and  $H_03c$  are therefore rejected.

The correlation coefficient value of, -0.050 between self-efficacy and business support is negative and not significant at 99% level of confidence. The null hypothesis,  $H_03d$  is therefore accepted.

It is therefore concluded that there is a significant and positive correlation between self-efficacy and entrepreneurial orientation, entrepreneurial intention, business performance, but a negative and not significant relationship with business support. The entrepreneur's self-belief encourages him or her to come up with the strategy-making processes that provide organisations with a basis for entrepreneurial decisions and actions.

The results support the literature, which states that self-efficacy is an important influence on people who contemplate and then evaluate both the desirability and the feasibility of a new venture. If the evaluation results in a compelling combination of desirability and feasibility, the person will form the intention of starting a new venture (Carsrud & Brannback, 2009:35).

The results further support studies undertaken by Vancouver et al (2002:79) that there is a positive relationship between self-efficacy and performance. They state that when people aim for a challenging standard but have to guess how they are doing, the stronger their perceived self-efficacy for goal attainment and the more pleased they are with whatever they surmise their performance to be, the more they heighten their efforts.

It is also concluded that there is no significant correlation between self-efficacy and business support. This means that if someone has confidence (self-efficacy), he does not depend on or expect any support in order to start a business or to succeed in business. The inverse relationship is therefore in line with literature.

In the next section, the hypotheses on entrepreneurial orientation ( $H_04$ ) are tested against the other three constructs.

#### **5.5.4 Entrepreneurial orientation**

A relationship between entrepreneurial orientation and the variables entrepreneurial intention, business performance and business support was tested using the Pearson correlation. This was to test the hypothesis that there is no significant relationship between entrepreneurial orientation ( $H_04$ ) and the other constructs  $H_04a$  – entrepreneurial intention;  $H_04b$  – business performance; and  $H_04c$  – business support.

Each of these correlations is discussed in detail below.

##### *(1) Entrepreneurial orientation and entrepreneurial intention*

*The null hypothesis  $H_04a$ :* There is no significant correlation between entrepreneurial orientation and entrepreneurial intention

The correlation coefficient of 0.367 between entrepreneurial orientation and entrepreneurial intention is significant at a 99% level of confidence since the p-value of 0.0001 is  $< \alpha = 0.01$ . The null hypothesis is therefore rejected.

It is therefore concluded that there is a significant correlation between entrepreneurial orientation and entrepreneurial intention. Entrepreneurial intention and entrepreneurial orientation and action are distinct constructs and entrepreneurial orientation mediates the relationship between intention and action. A strong correlation is expected because entrepreneurial orientation and entrepreneurial intention are interrelated: i.e. entrepreneurial orientation is disposition and entrepreneurial intention is converting orientation to action or behaviour. Orientation

is what you possess inside which then capacitates (enables) you to act if you have the intention to act (start a business). The results support the literature which highlights that individuals with an entrepreneurial orientation are likely to establish new businesses.

(2) *Entrepreneurial orientation and business performance*

The null hypothesis  $H_{04b}$  states that there is no significant correlation between entrepreneurial orientation and business performance.

The correlation coefficient value of 0.196 between entrepreneurial orientation and business performance is significant at a 99% level of confidence since the p-value ( $p < 0.0001$ ) is smaller than 0.01. The null hypothesis is therefore rejected.

It is therefore concluded that there is a significant correlation between entrepreneurial orientation and business performance. This result confirms Wiklund and Shepherd's (2005:90) finding that entrepreneurial orientation leads to higher performance and that businesses that adopt a strong entrepreneurial orientation perform better than ones that do not.

(3) *Entrepreneurial orientation and business support*

The null hypothesis  $H_{04c}$ : There is no significant correlation between entrepreneurial orientation and business support.

The correlation coefficient value of -0.112 and p-value of 0.17 between entrepreneurial orientations and business support is not significant at a 99% level of confidence but significant at a 95% confidence level. The null hypothesis is therefore not rejected.

It is therefore concluded that there is no significant correlation between entrepreneurial orientation and business support. This implies that there is no positive significant relationship between entrepreneurial orientation and business support at a 99% level of confidence. The relationship is only significant at a 95% level of confidence and is negative. A business owner, who is entrepreneurially orientated, is not expected to get business support from either government or

community. Owners who get business support tend to be less entrepreneurially-orientated.

In the next section, hypotheses on entrepreneurial intention ( $H_05$ ) are tested against the other two constructs, business performance and business support.

### **5.5.5 Entrepreneurial intention**

A relationship between entrepreneurial intention and the factors business performance and business support was tested using the Pearson correlation. This was to test the hypothesis that there is no relationship between entrepreneurial orientation ( $H_05$ ) and the constructs, business performance ( $H_05a$ ) and business support ( $H_05b$ ).

Each of these correlations is discussed in detail below.

#### *(1) Entrepreneurial intention and business performance*

*The null hypothesis  $H_05a$ :* There is no significant correlation between entrepreneurial intention and business performance.

The correlation coefficient value of 0.202 and p-value of 0.0001 is  $< \alpha = 0.01$  between entrepreneurial intention and business performance is significant at a 99% level of confidence. The null hypothesis is therefore rejected.

It is therefore concluded that there is a significant correlation between entrepreneurial intention and business performance.

The results support findings by Hisrich et al, (2010:38) that the intention of the entrepreneur towards business development will positively impact business performance.

#### *(2) Entrepreneurial intention and business support*

*The null hypothesis  $H_05b$ :* There is no significant correlation between entrepreneurial intention and business support.

The correlation coefficient value of 0.074 and p-value of 0.113 between entrepreneurial intentions and business support is not significant at a 99% confidence level. The null hypothesis is therefore accepted.

It is therefore concluded that there is no significant correlation between entrepreneurial intentions and business support. Intended owners do not necessarily depend on business support to act and succeed.

In the next section, the hypotheses on business performance ( $H_06$ ) are tested against business support.

#### **5.5.6 Business performance and business support**

A relationship between business performance and business support was tested using the Pearson correlation. This was to test the hypothesis that there is no significant relationship between business performance and business support ( $H_06$ ).

The correlation coefficient value of 0.058 between business performance and business support is not significant at a 99% level of confidence. The null hypothesis is therefore accepted.

It is therefore concluded that there is no significant correlation between business performance and business support. However, the relationship is positive. This implies that business performance is enhanced by business support.

In the next two sections, 5.7 and 5.8, the effect the independent variables have on the dependent are going to be tested and discussed. Section 5.7 covers the effect that the "*origin of owner*" has on entrepreneurial variables, and Section 5.8 will look at other demographics, such as age, gender and education and their effect on the same entrepreneurial variables: culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, business performance and business support.

The t-test will be used to find the difference between the origin of owners and the entrepreneurial variables.

## 5.6 THE T-TEST ON ORIGIN OF OWNER AND ENTREPRENEURIAL VARIABLES

The t-test is used to test a proposition stating that the mean score on some variables will be significantly different for two independent sample groups (Zikmund, 2003:524). To test the t-test for difference of means, it is assumed that the two samples are drawn from normal distributions. The t-test was used to compare the sampled businesses for local and immigrant entrepreneurs (see Appendix C.2).

The t-test was used to test the hypothesis that there is no significant difference between the demographic variables and the other six constructs (culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, business performance and business support). The hypotheses on the origin of owner-managers ( $H_07$ ) and the constructs: culture,  $H_07a$ ; self-efficacy  $H_07b$ ; entrepreneurial orientation  $H_07c$ ; entrepreneurial intention  $H_07d$ ; business performance  $H_07e$  and business support  $H_07f$  were tested using the t- test.

Table 5.20: The independent t-test on the origin of the owner(s)

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (two-tailed)
<i>Culture</i>	22587.500	46897.500	-0.729	0.466
<i>Self-efficacy</i>	19041.000	42046.000	-3.447	0.001
<i>Entrepreneurial orientation</i>	22047.000	46137.000	-1.066	0.286
<i>Entrepreneurial intention</i>	22261.500	46571.500	-0.980	0.327
<i>Performance</i>	22342.000	45778.000	-0.600	0.548
<i>Business support</i>	17696.500	41567.500	-4.606	0.000

Confidence interval: 95% $\alpha$ =0.05

Each of the sub-hypotheses of  $H_07$  is discussed separately below.

### **5.6.1 The origin of the owner and culture**

*Null hypothesis H<sub>0</sub>7a:* There is no significant difference between the mean scores of the origin of the owner (entrepreneur) and culture in starting a business.

The results show that there is no statistically significant difference between the mean scores of the origin of the owner and culture, as shown by a p-value of 0.466, >  $\alpha=0.05$  in table 5.20 above.

Applying the p-value rule that one should accept the proposition if – and only if – the p-value is bigger than the alpha value ( $\alpha=0.05$ ), hypothesis H<sub>0</sub>7a on culture is therefore accepted.

The results show that there is no significant difference between the owner's origin and culture. This implies that the variable "origin of owner(s)" is not a determining factor in one's culture to start a business; in other words, it implies that one's entrepreneurial culture to start a business is not determined by where one comes from. Cultural factors or dimensions (individualism, masculinity, power distance and uncertainty avoidance) apply equally to both local and foreign owners in starting a business.

### **5.6.2 Origin of owner and self-efficacy**

*Null hypothesis H<sub>0</sub>7b:* There is no significant difference between the mean scores of the origin of the business owner and self-efficacy in starting a business.

Results show that there is a statistically significant difference between the mean scores of the origin of the owner and self-efficacy, with p-value 0.001, <  $\alpha=0.05$  at a 95% confidence level, as appears in Table 5.20 above.

Applying the p-value rule that one should accept the proposition if - and only if - the p-value is bigger than the alpha value (0.05) and applying the reverse effect of the same rule (p-value less than 0.05), hypothesis H<sub>0</sub>7b on self-efficacy is rejected.

It is therefore concluded that there is a significant difference between the mean scores of the origin of the owner and his or her self-efficacy. This result shows that the variable “origin of owner(s)” does play a significant role in one’s self-efficacy. This implies that the origin of the owner affects his/her inner self in terms of making serious decisions. Local owners show high mean scores because they are stable in making serious decisions like starting a business or restructuring an existing one, since entrepreneurial self-efficacy has to do with the strength of a person’s belief that he or she is capable of successfully performing various roles and tasks of entrepreneurship. The Advanced Mann-Whitney test will be carried out later to determine in which aspects there are differences between the two groups.

### **5.6.3 Origin of owner and entrepreneurial orientation**

*Null hypothesis  $H_{07c}$  states that there is no significant difference between the mean scores of the origin of the owner and entrepreneurial orientation.*

With p-value 0.286,  $> \alpha=0.05$  at a 95% confidence level, as appears in Table 5.20 above, it can be concluded that there is no statistically significant difference between the mean scores of the origin of the owner and entrepreneurial orientation. Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha value (0.05), hypothesis  $H_{07c}$  on entrepreneurial orientation is accepted because  $0.286 > \alpha=0.05$ .

The results show that a significant difference does not exist between the origin of the owner and entrepreneurial orientation. This implies that the variable “origin of owner(s)” is not a determining factor in entrepreneurial orientation. For an entrepreneur to be entrepreneurially-orientated, he or she does not need to come from a certain country or region.

### **5.6.4 Origin of owner and entrepreneurial intention**

*Null hypothesis  $H_{07d}$ : There is no statistical significant difference between the mean scores of the origin of the owner and the intention to start a business.*

Results show a p-value 0.327,  $>\alpha=0.05$  at a 95% confidence level (table 5.20). Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha value (0.05), the hypothesis  $H_07d$  on entrepreneurial intention is accepted.

It is therefore concluded that there is no significant difference between the mean scores of the origin of the owner and entrepreneurial intention. This implies that the intention of the owner to start a business is not determined by where he or she comes from. People just start businesses, irrespective of where they come from. Starting or owning a business is about someone's passion to go into business or the opportunities that the individual would have identified in the market.

South Africa's performance has been consistently below the median in all the previous GEM surveys. In 2010 GEM (2010:16) reported that South Africa ranked 27<sup>th</sup> out of 59 countries with a TEA rate of 8.9%, which was below the average (11.9%) of all participating countries. Results show that going into business without business intention may lead to low business performance. Intentions should be raised through targeted interventions such as entrepreneurial education, for example, if the country's TEA has to be increased.

### **5.6.5 Origin of owner and business performance**

*Null hypothesis  $H_07e$ :* There is no significant difference between the mean scores of the origin of the owner and business performance.

Results show, p-value 0.548,  $>\alpha=0.05$  at a 95% confidence level as appears in table 5.20 above. Applying the p-value rule that one should accept the proposition if –the p-value is bigger than the alpha value (0.05), hypothesis  $H_07e$  on business performance is accepted.

It is therefore concluded that there is no significant difference between the mean scores of the origin of the owner and business performance. This implies that the performance of business is not affected by whether the owner is local or foreign. The owner can perform well or badly, irrespective of whether he or she comes from a

foreign country or is local. The findings do not support the assertion that foreign owners perform better than the local owners. The results have proved that there is a misconception that foreign-owned businesses perform better than local businesses.

#### **5.6.6 Origin of owner and business support**

*Null hypothesis  $H_0$* : There is no difference between the mean scores of the origin of owner and business support.

Results show that there is a statistically significant difference between the mean scores of origin of the owner and business support, with p-value 0.000,  $\alpha=0.05$  at 95% confidence level. Applying the p-value rule that one should accept the proposition if – and only if – the p-value is bigger than the alpha value (0.05), applying the reverse effect of the same rule (p-value less than 0.05) hypothesis  $H_0$  on business support is rejected.

It is therefore concluded that there is a significant difference between the mean scores of the origin of the owner and business support. A significant statistical difference does exist between the origin of the owner and business support. This result shows that the variable “origin of owner(s)” does play a significant role for the owner to get business support. It is unfortunately difficult for immigrant entrepreneurs to have access to financial resources from financial institutions since they do not meet the criteria used by the banks - for example, using a South African ID (being citizens) or having security for the loan (mostly in the form of immovable assets) . This situation is even worse for the necessity immigrant entrepreneurs, since their businesses do not involve any innovative product or activity that can impress financial institutions. They need financial resources to effectively manage the operating expenses of their businesses.

This result supports the descriptive statistics earlier discussed and shown in Table 5.10.

### 5.6.7 Origin of owner and motivation

The sub-question was formulated to establish whether there was a significant difference between the origin of owner and motivation.

Levine's test of homogeneity of variance was conducted to test this construct. The construct "motivation" was the only one which was normally distributed, hence the Levine's test was conducted (see Appendix C1).

*The Null hypothesis  $H_0$  is that:* There is no significant difference between the mean scores of the origin of the owner and the motivation to start a business.

The results of this test are presented in Table 5.21 below and then analysed and interpreted.

*Table 5.21: The test for equality of means of the owner's origin and motivation*

		Levine's test for equality of variance		T-test for equality of means							
		F	Sig	t	Df	Sig (two- tailed)	Mean difference	Std. error difference			
										Upper	Lower
<b>Motivation</b>	<b>Equal variance assumed</b>	0.267	0.605	-1.460	0.432	0.145	-0.821	0.562	-1.927	0.284	

Confidence interval: 95% $\alpha$ =0.05

Table 5.21 above shows the results for when the assumption of equality of variances was met. The T-tests for equality of means at a 95% confidence interval of the difference are shown in the table.

There is no statistically significant difference between the mean scores of the origin of the owner and motivation, with p-value of 0.145 which is more than the alpha value of 0.05 at a 95% confidence level as appears in table 5.21 above. Applying the p-value rule that one should accept the proposition if – and only if – the p-value is bigger than the alpha value (0.05), hypothesis H<sub>0</sub>7 on motivation is accepted.

It is therefore concluded that there is no significant difference between motivation to start a business and the origin of the sampled SME owners in the retail industry of Gauteng province. This implies that the motivation to start a business is not determined by whether the owner is local or foreign. People get motivated to start new businesses, irrespective of where they come from. People are motivated by pull factors which affect all, irrespective of origin.

## **5.7 OTHER DEMOGRAPHICS AND DEPENDANT VARIABLES: ANALYSIS OF VARIANCE (ANOVA)**

The analysis of variance (ANOVA) is the statistical method for testing the null hypothesis so that the means of several populations are equal. Because there will be two independent variables to be tested, the ANOVA will be used. The ANOVA is used to test the main and the interaction effects of categorical variables on a continuous dependent variable, controlling for the effects of selected continuous variables which co-vary with the dependent (Tustin et al, 2005:408).

The non-parametric Wilcoxon test (Kruskal-Wallis) was used on the following variables: age of owner, business size, business age, educational qualification of owner, gender and origin of owner. The results are shown in Tables 5.22 to 5.26 below.

### **5.7.1 The age of the business owner**

A question was formulated to establish whether there was a significant difference between the age of the owner and the variables culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, performance and business support. To test the hypothesis, the Kruskal-Wallis test was performed and the results are shown in Table 5.22 below.

*Age of owner and dependent variables:*

*Null hypothesis H<sub>08</sub> (1-6):* There is no statistical significant difference between the mean ranks of the owner's age and the variables culture (*H<sub>08</sub>-1*), - self-efficacy (*H<sub>08</sub>-2*) - entrepreneurial orientation (*H<sub>08</sub>-3*), entrepreneurial intention (*H<sub>08</sub>-4*), business performance (*H<sub>08</sub>-5*) and business support (*H<sub>08</sub>-6*).

The results of this test are presented in Table 5.22 below and are then analysed and interpreted.

*Table 5.22: The Kruskal-Wallis test of the age of the owner and dependent variables*

	Chi-Square	Df	Asymp. Sig.
<i>Culture</i>	3.616	4	0.460
<i>Self-efficacy</i>	8.715	4	0.069
<i>Entrepreneurial Orientation</i>	4.768	4	0.312
<i>Entrepreneurial Intentions</i>	1.704	4	0.790
<i>Performance</i>	1.383	4	0.847
<i>Business support</i>	5.673	4	0.225

Confidence interval: 95% $\alpha=0.05$

Results show that there is no statistically significant difference between the mean ranks of the age of the owner and culture (*H<sub>08</sub>:1*), with a p-value of 0.460,  $>\alpha=0.05$ ; self-efficacy (*H<sub>08</sub>:2*) with a p-value of 0.069,  $>\alpha=0.05$ ; entrepreneurial orientation (*H<sub>08</sub>:3*) with a p-value of 0.312,  $>\alpha=0.05$ ; entrepreneurial intention (*H<sub>08</sub>:4*) with a p-value of 0.790,  $>\alpha=0.05$ ; business performance (*H<sub>08</sub>:5*) with a p-value of 0.847,  $>\alpha=0.05$ ; and business support (*H<sub>08</sub>:6*) with a p-value of 0.225,  $>\alpha=0.05$  at a 95% confidence level as appears in Table 5.22 above.

Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha, all the hypotheses are accepted.

The results show that a significant difference does not exist between the means of owner's age and culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, business performance and business support. This implies that age is not a determining factor in the establishment of a business among entrepreneurs when looking at their culture, self-belief, their intention to start a business, business performance and the support they get when establishing a business. Both local and foreign business owners face the same issues and therefore age is not a determining factor in the application of all the stated entrepreneurial variables.

### **5.7.2 The business size**

The question was formulated to establish whether there was a significant difference between the business size and the variables culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, performance and business support.

To test the hypothesis, the Kruskal-Wallis test was performed and the results are shown in Table 5.23 below.

*Business size and dependent variables: Null hypothesis  $H_09$  (1–6)*

There is no statistical significance difference between the means of business size and the variables culture ( $H_09:1$ ), self-efficacy ( $H_09:2$ ), entrepreneurial orientation ( $H_09:3$ ), entrepreneurial intention ( $H_09:4$ ), business performance ( $H_09:5$ ) and business support ( $H_09:6$ ).

The results of this test are presented in Table 5.23 below and are then analysed and interpreted.

Table 5.23: The Kruskal-Wallis test of the business size and dependent variables

	Chi-Square	Df	Asymp. Sig.
<i>Culture</i>	05.030	4	0.284
<i>Self-efficacy</i>	05.124	4	0.275
<i>Entrepreneurial Orientation</i>	10.975	4	0.027
<i>Entrepreneurial Intentions</i>	03.572	4	0.467
<i>Performance</i>	04.254	4	0.373
<i>Business support</i>	02.290	4	0.683

Confidence interval: 95%  $\alpha=0.05$

The results show that there is no statistical significant difference between the means of business size and each of the variables as indicated by the respective p values; culture ( $H_09:1$ ) with a p-value of 0.284,  $>\alpha=0.05$  self-efficacy ( $H_09:2$ ) p-value of 0.275,  $>\alpha=0.05$ ; entrepreneurial intention ( $H_09:4$ ) with a p-value of 0.467,  $>\alpha=0.05$ ; business performance ( $H_09:5$ ) p-value of 0.373,  $>\alpha=0.05$ ; and business support ( $H_09:6$ ) with a p-value of 0.683,  $>\alpha=0.05$  as reflected in Table 5.23 above.

There is, however, a statistically significant difference between the mean ranks of business size and entrepreneurial orientation ( $H_09:3$ ), whose p-value is 0.027,  $<\alpha=0.05$  at a 95% confidence level.

Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha, hypothesis  $H_09$ : culture ( $H_09:1$ ), self-efficacy ( $H_09:2$ ), entrepreneurial intention ( $H_09:4$ ), business performance ( $H_09:5$ ) and business support ( $H_09:6$ ) are all accepted. Applying the reverse effect of the same rule proposition, entrepreneurial orientation ( $H_09:3$ ) is rejected.

The results show that a significant difference does not exist between the business size and the variables culture, self-efficacy, entrepreneurial intention, business performance and business support. This implies that the variable business size measured by “number of employees” is not a determining factor in the establishment

of a business among entrepreneurs when looking at their culture, self-belief, their intention to start, business performance and the support they get when establishing a business. What this means is that whether the business started is small, micro, medium or big, the identified entrepreneurial variables will apply equally to these businesses.

It is also concluded that there is a significant difference between business size and entrepreneurial orientation. This implies that the variable entrepreneurial orientation has an impact on business size. Advanced Mann-Whitney test (further test) will be carried out to determine in which business sizes are the sources of the differences between the two variables.

### **5.7.3 The age of the business and dependent variables**

The question was formulated to establish whether there was a significant difference between the age of the business and the variables culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, performance and business support.

The *Null hypothesis  $H_0$ 10 (1–6)* stated that there is no statistical significance difference between the means of business age (period business is in operation) and the variables culture ( $H_0$ 10:1), self-efficacy ( $H_0$ 10:2), entrepreneurial orientation ( $H_0$ 10:3), entrepreneurial intention ( $H_0$ 10:4), business performance ( $H_0$ 10:5) and business support ( $H_0$ 10:6).

The Kruskal-Wallis test was performed to test this hypothesis.

The results of this test are presented in Table 5.24 below and then analysed and interpreted.

Table 5.24: The Kruskal-Wallis test of the age of the business and dependent variables

	Chi-Square	Df	Asymp. Sig.
<i>Culture</i>	02.094	4.000	0.719
<i>Self-efficacy</i>	02.565	4.000	0.633
<i>Entrepreneurial orientation</i>	03.131	4.000	0.536
<i>Entrepreneurial intention</i>	01.845	4.000	0.764
<i>Performance</i>	14.605	4.000	0.006
<i>Business support</i>	07.597	4.000	0.108

Confidence interval: 95%  $\alpha=0.05$

The results show that there is no statistically significant difference between the means of business age and each of the variables culture ( $H_0$ 10:1) p-value 0.719,  $> \alpha=0.05$ ; self-efficacy ( $H_0$ 10:2) with a p-value of 0.633,  $>0.536$ ; entrepreneurial orientation ( $H_0$ 10:3) with a p-value of 0.536,  $> \alpha=0.05$ ; entrepreneurial intention ( $H_0$ 10:4) with a p-value of 0.764,  $>0.05$ ; and business support ( $H_0$ 10:6) with a p-value of 0.108,  $> \alpha=0.05$  at a 95% confidence level as appears in Table 5.24 above.

There is a statistically significant difference between the means of business age and business performance ( $H_0$ 10:5) whose p-value 0.006,  $< \alpha=0.05$ . Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha, sub-hypothesis  $H_0$ 10 (1, 2, 3, 4 and 6) culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation and business support are accepted and hypothesis "business performance" ( $H_0$ 10:5) is rejected.

This implies that the period the business is in operation does not affect the variables culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention and business support.

A significant statistical difference does exist between business age and business performance. This result shows that the variable "years business is in operation" or business age does play a significant role in determining business performance. According to the life-cycle approach, the organisational decline is inevitable. Decline in the life-cycle occurs if the business does not constantly develop new and

innovative ideas to prevent the entrepreneur from becoming complacent as the business becomes successful (Smith et al, 2007).

A further analysis will be carried out to find out the ages that have an effect on performance.

#### 5.7.4 The owner's education and dependent variables

The question was formulated to establish whether there was a significant difference between culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, business performance and business support and the educational qualification of sampled owners of SMEs in Gauteng.

To test the question, the Kruskal-Wallis test was performed and the results are shown in Table 5.25 below.

*Null hypothesis H<sub>0</sub>11 (1-6) states that:* There is no statistical significant difference between the mean values of education and the six variables culture (H<sub>0</sub>11:1), self-efficacy (H<sub>0</sub>11:2), entrepreneurial orientation (H<sub>0</sub>11:3), entrepreneurial intention (H<sub>0</sub>11:4), business performance (H<sub>0</sub>11:5) and business support (H<sub>0</sub>11:6).

*Table 5.25: The Kruskal-Wallis test of the owner's education and dependent variables*

	Chi-Square	Df	Asymp. Sig.
<i>Culture</i>	05.348	4	0.253
<i>Self-efficacy</i>	08.257	4	0.083
<i>Entrepreneurial orientation</i>	05.799	4	0.215
<i>Entrepreneurial intention</i>	03.635	4	0.458
<i>Performance</i>	18.139	4	0.001
<i>Business support</i>	02.197	4	0.700

Confidence interval: 95% $\alpha$ =0.05

The results show that there is no statistically significant difference between the mean values of education and culture ( $H_{011:1}$ ) p-values of 0.253,  $> \alpha=0.05$ , self-efficacy ( $H_{011:2}$ ) p-value of 0.083,  $> \alpha=0.05$ ; entrepreneurial orientation ( $H_{011:3}$ ) p-value of 0.215,  $> \alpha=0.05$ , entrepreneurial intention ( $H_{011:4}$ ) with the p-value of 0.458,  $> \alpha=0.05$ , and business support ( $H_{011:6}$ ) with the p-value of 0.700,  $> \alpha=0.05$  at a 95% confidence level.

There is, however, a statistically significant difference between the mean values of owner's education and business performance ( $H_{011:5}$ ) with a p-value of 0.001,  $< 0.05$  at a 95% confidence level as appears in Figure 5.13 above.

The hypothesis stated that a statistically significant difference does not exist between the mean ranks of owner's education and the constructs culture ( $H_{011-1}$ ), self-efficacy ( $H_{011:2}$ ), entrepreneurial orientation ( $H_{011:3}$ ), entrepreneurial intention ( $H_{011:4}$ ) and business support ( $H_{011:6}$ ). Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha, hypothesis  $H_{011}$  (1–4 and 6), culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation and business support are accepted. Applying the reverse effect of the same rule, the proposition "business performance" ( $H_{011:5}$ ) is rejected. This will be analysed further to find out which level of education is the reason for rejecting the hypothesis.

The results show that there is no significant difference between the owner's educational qualification and culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation and business support. This implies that the owner's qualifications do not have any effect on his or her culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation and business support. There is a myth that the more educated a person is, the higher his or her self-efficacy and the more the chances that they are likely to access support. Table 5.10 above also showed that few (2.9% [L] and 1.9% [F]) business owners received financial support from the government, while the majority (75% and 85.7%) denied having received any financial support from the government. Access to financial assistance is a problem for small business owners, irrespective of whether they are South African or foreign nationals.

A significant statistical difference does exist between an owner’s educational qualification and “business performance”. This result shows that the variable “owner’s qualification” does play a significant role in business performance. The owner’s higher qualification contributes to better business performance, possibly because an educated person will first start with conducting research into the business he or she wants to establish before starting operations. Education is also an important factor in increasing skills level. The GEM (2010:32) also reported that a healthy and educated workforce is important to a business’s competitiveness and productivity.

### 5.7.5 Gender and dependent variables

*Null hypothesis H<sub>0</sub>12 (1–6):* There is no statistically significant difference between the mean values of gender and the variables culture (H<sub>0</sub>12:1), self-efficacy (H<sub>0</sub>12:2), entrepreneurial orientation (H<sub>0</sub>12:3), entrepreneurial intention (H<sub>0</sub>12:4), business performance (H<sub>0</sub>12:5) and business support (H<sub>0</sub>12:6).

The hypothesis was formulated to establish whether there was a significant difference between culture, self-efficacy, entrepreneurial orientation, entrepreneurial intention, business performance, business support and the gender of sampled SMME owners in Gauteng. The Mann-Whitney test was performed to test the hypothesis and the results are shown in Table 5.26 below.

*Table 5.26: Gender and independent variables*

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. two-tailed)
Culture	20022.500	32902.500	-2.672	0.008
Self-efficacy	23062.000	66722.000	-0.402	0.688
Entrepreneurial orientation	21550.000	34430.000	-1.477	0.140
Entrepreneurial intention	22703.000	35583.000	-0.671	0.502
Performance	20131.000	32692.000	-2.294	0.022
Business support	22825.500	35705.500	-0.434	0.664

Confidence interval: 95%α=0.05

Results show that there is no statistically significant difference between the mean values of gender and self-efficacy ( $H_0$ 12:2) with the p-values of 0.688,  $>\alpha=0.05$ ; entrepreneurial orientation ( $H_0$ 12:3) with the p-value of 0.140,  $>0.05$ ; entrepreneurial intention ( $H_0$ 12:4) with the p-value of 0.502,  $>0.05$ ; and business support ( $H_0$ 12:6) with the p-value of 0.664,  $>0.05$  at a 95% confidence level as appears in Table 5.26 above.

Results also show that there is a statistically significant difference between the mean values of gender and culture ( $H_0$ 12:1) p-value of 0.008,  $<\alpha=0.05$  and business performance ( $H_0$ 12:5) with the p-value of 0.022,  $<0.05$  at a 95% confidence level.

The hypotheses are accepted or rejected, based on the p-value rule that one should accept the proposition if – and only if – the p-value is bigger than the alpha. Hypothesis  $H_0$ 12 (2, 3, 4 and 6) self-efficacy, entrepreneurial intention, entrepreneurial orientation and business support are accepted and hypothesis culture ( $H_0$ 12:1) and business performance ( $H_0$ 12:5) are rejected. The rejected hypothesis will be analysed further to find out the cause of the significant difference.

This result shows that the variable “gender” does play a significant role in business performance and culture. This implies that gender affects business performance. The ratio of male to female participation in entrepreneurial activity varies across all GEM countries, reflecting differences in culture and customs regarding female participation in the economy (GEM, 2010:23). The Mann-Whitney tests show higher mean rank of male than females for both locals and foreigners. GEM reported that in South Africa, men are 1.5 to 1.6 times more likely than women to be involved in entrepreneurship. The researcher believes the notion that women in poor communities tend to be more involved in family and community upliftment activities than in business.

The GEM (2011.22) also reported the male contribution to Total Entrepreneurial Activity (TEA) of 11.3% higher than the female contribution of 6.9%.

## 5.8 FURTHER TESTS

To further investigate the difference between the business's performance and age; business size and entrepreneurial orientation; and business performance and age, a more detailed Mann-Whitney test was carried out. To control the Type 1 Error (where a true hypothesis is incorrectly rejected), further tests are carried out using the Mann-Whitney's multiple comparison procedure. According to Schindler and Cooper (2001:513), the Mann-Whitney test is a further test used after a hypothesis is rejected. It helps the researcher to find sources of differences within the different levels of a variable. In this case, the Mann-Whitney test was carried out to find out which ranges within the variable had a difference with the factor of business performance. This was done on the variable which had shown a significantly strong variation with business performance at  $\alpha=0.05$  level.

The result of the further analysis of the variable business size and entrepreneurial orientation are shown in Table 5.27 below.

### 5.8.1 The business size and entrepreneurial orientation: Advanced Mann-Whitney test

*Null hypothesis  $H_{09:3}$  (i-v):* There is a statistically significant difference between the entrepreneurial orientation and the following business size strata: one to five employees ( $H_{09:3}$ -i), six to 50 employees ( $H_{09:3}$ -ii), 51 to 100 employees ( $H_{09:3}$ -iii), 101 to 200 employees ( $H_{09:3}$ -iv) and 200 and more employees ( $H_{09:3}$ -v).

We are trying to find out if we properly rejected the hypothesis  $H_{09:3}$ . Therefore we will find out which business sizes led us to reject the hypothesis or which business sizes are sources of rejection.

*Table 5.27: The Mann-Whitney test of the business size strata and business orientation*

Category	Number of employees	P-value
1–5 employees	6–50 employees	0.131
	51–100 employees	0.024
	101–200 employees	0.100
	200+	0.255
6–50 employees	51–100 employees	0.066
	101–200 employees	0.100
	200+	0.211
51–100 employees	101–200 employees	0.286
	200+	0.286

Confidence interval: 95% $\alpha$ =0.05

The results in Table 5.27 show that there is a significant difference between the category of one to five employees and the category 51 to 100 employees (p-value of 0.024, <0.05). There is no significant difference between category one to five employees; 6 to 50 employees (p-value of 0.131,>0.05); 101 to 200 employees (p-value of 0.100, >0.05) and 200+ employees (p-value of 0.255, >0.05).

Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha, hypotheses (H<sub>0</sub>9:3-ii), (H<sub>0</sub>9:3-iv) and 200+ (H<sub>0</sub>9:3-v) are rejected. Applying the reverse effect of the same rule, therefore, the hypothesis (H<sub>0</sub>9:3-iii) is accepted.

The meaning of this is that there is a significant difference in entrepreneurial orientation between those companies with one to five employees, which are very small businesses, and those businesses with 51 to 100 employees or medium businesses. However, there is no significant difference when it comes to businesses with 101 to 200 employees and businesses with above 200 employees or medium to large businesses. One should note that there is a significance difference between the same category 51 to 100 employees with the 6 to 50 group where a p- value 0.066,

$\alpha=0.05$  is reflected. This tends to give credence to the fact that the larger the size, the more the difference in entrepreneurial orientation.

The result shows that businesses are entrepreneurial from a certain size (6 to 50 and 51 to 100 employees) until they reach a certain size, then entrepreneurial orientation slows down when employees increase from 101 to 200 and more. At this level, there is no significant difference.

The findings are that a statistically significant variation does exist between the different business sizes, as shown in Table 5.27 above. Then the hypothesis  $H_{09a}$  (1–6), was correctly rejected because the above results have proved that a significant difference does exist.

Fewer and manageable employees in the business help the entrepreneur to demonstrate his risk-taking and decision-making skills, which leads to high performance. The size of the business can have a major impact on how the business owner executes business activities and that will affect strategy in business. Small businesses generally have more informal communications, so execution can follow that and be more loosely organised. The business owner can get a whiteboard and determine who will cover what part of the content strategy and basic social business rules.

The results of the further analysis of the variable age of business and business performance are shown in Table 5.28 below.

### **5.8.2 Age of business and business performance**

*Null hypothesis  $H_{010:5}$  (i–iv):* There is a statistical significant difference between business performance and the age of the business under one year ( $H_{010:5-i}$ ); one to four years ( $H_{010:5-ii}$ ); five to 10 years ( $H_{010:5-iii}$ ); 11 to 20 years ( $H_{010:5-iv}$ ); and 20<sup>+</sup> years ( $H_{010:5-v}$ ).

*Table 5.28: The Mann-Whitney test of the business age strata*

Age group	Period	P-value
Under 1 year		
	1–4 years	0.010
	5–10 years	0.003
	11–20 years	0.004
	20 <sup>+</sup> years	0.914
1–4 years		
	5–10 years	0.351
	11–20 years	0.166
	20 <sup>+</sup> years	0.914
5–10 years		
	11–20 years	0.553
	20 <sup>+</sup> years	0.063
11–20 years		
	20 <sup>+</sup> years	0.063

Confidence interval: 95% $\alpha=0.05$

The results show that there is a significant difference between the age category under one and one to four years (p-value of 0.010, <0.05), five to 10 years (p-value of 0.003, <0.05) and 11 to 20 years (p-value of 0.004, <0.05), except for 20<sup>+</sup> years which is not significant. Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha, the hypotheses H<sub>0</sub>10:5-i; H<sub>0</sub>10:5-ii; H<sub>0</sub>10:5-iii; H<sub>0</sub>10:5-iv are accepted. What the results mean is that during these periods, the age of existence has a significant effect on a company's performance.

There is no significant difference between the age category under one year and 20 years+ (p-value of 0.914, >0.05). The hypothesis (H<sub>0</sub>10:-v) is rejected. This means that after 20 years of existence, age is no longer a significant factor in a company's performance. The life cycle approach of the company or industry could be an appropriate basis for analysis. The 20 years of business operation might be the maturity stage of the business. This stage is mostly characterised by a strong organisational learning effect and lack of competitiveness. At this stage, competition becomes stronger and problems begin to surface. Only a few businesses with good

managerial skills survive during this period. Only businesses which develop new and innovative ideas can be sustained in the business environment.

The findings are that a statistically significant variation does exist between the different business age strata as shown in Table 5.28 above. Therefore, the original hypothesis ( $H_{010:5}$ ) was appropriately rejected because the above results proved that a significant difference does exist.

The results of the further analysis of the variable education of owner and business performance are shown in Table 5.29 below.

### **5.8.3 The education of the owner and business performance**

*Null hypothesis  $H_{011:5}$  (i-v):* There is a statistically significant difference between business performance and education strata Grade 1 to 7 ( $H_{011:5-i}$ ); Grade 8 to 12 ( $H_{011:5-ii}$ ); diploma ( $H_{011:5-iii}$ ); degree ( $H_{011:5-iv}$ ); and others ( $H_{011:5-v}$ ).

We are trying to find out if we properly rejected the hypothesis,  $H_{011:5}$ . Therefore we have to find out which educational level led us to reject the hypothesis or which levels are sources of rejection.

Table 5.29: The Mann-Whitney test of the education and business performance

Education category	Education level	P-value
Grade 1–7		
	Grade 8–12	0.103
	Diploma	0.043
	Degree	0.002
	Others	0.018
Grade 8–12		
	Diploma	0.317
	Degree	0.001
	Others	0.123
Diploma		
	Degree	0.015
	Others	0.287

Confidence interval: 95% $\alpha=0.05$

The results show that there is a significant difference between category Grade 1 to 7 and diploma (p-value of 0.043,  $< \alpha=0.05$ ), degree (p-value of 0.002,  $< \alpha=0.05$ ), other qualification (p-value of 0.018,  $< \alpha=0.05$ ), degree (p-value of 0.001 and 0.015,  $< \alpha=0.05$ ). Applying the p-value rule that one should accept the proposition if the p-value is bigger than the alpha, hypothesis Grade 1 to 7 ( $H_{011:5-i}$ ) and ( $H_{011:5-ii}$ ); diploma ( $H_{011:5-iii}$ ); degree ( $H_{011:5-iv}$ ) and others ( $H_{011:5-v}$ ) are all accepted. Grade 1-7 and the degree have a significant difference at p-value of 0.002. Grade 8-12 and the degree have significant difference at p-value of 0.001. In the last category, diploma and degree have a significant difference at 0.015. What the result means is that there is a significant difference between category Grade 1-7 and a degree, but there is no difference between the first (Grade 1-7) and second category (Grade 8-12). There is also a difference between category Grade 8-12 and the degree. Therefore, the more education one has, the better one's business is likely to perform. Education makes a difference in business performance. This means that the  $H_{011:5}$  was correctly rejected.

The findings are that a statistically significant variation does exist between the different education level strata, as shown in Table 5.29 above.

The GEM (2011:30) reported in 2011 that South Africa had a significant increase in the rate for individuals with some secondary levels of education, involved in entrepreneurial activity (46.7%).

South Africa's ranking with respect to primary education is dismal, as shown in the 2010/2011 Global Competitiveness Report. The report indicated that a lack of basic education may limit business development by making it increasingly difficult for companies to move up the value chain and produce more sophisticated or value-intensive products. It is therefore of concern that South Africa ranked 125<sup>th</sup> out of 139 countries with respect to the quality of its education. With respect to the quality of mathematics and science education, South Africa was even further down the ranking at 137<sup>th</sup> (GEM, 2010:31). The lack of accessible research and development has been highlighted by national experts as an important factor constraining entrepreneurship in the country.

The results show that there is a significant difference in performance among the different educational levels. Those with higher levels of education, such as diplomas and degrees, should be encouraged to take up entrepreneurship as career options, since the businesses they run would tend to perform better. This would be good for the economy.

## **5.9 Consolidation of hypotheses tests**

Table 5.30 shows the consolidated hypotheses used in the study with their tests and whether they are accepted or rejected.

Table 5.30: Consolidation of Hypotheses Tests

Hypothesis	Variables	Test	Accepted/rejected
<b>Hypothesis 1 (H<sub>01</sub>)</b>	There is no significant correlation between the stated variables		
<b>H<sub>01a</sub></b>	Motivation and culture	Correlation matrix	Rejected
<b>H<sub>01b</sub></b>	Motivation and self-efficacy	Correlation matrix	Rejected
<b>H<sub>01c</sub></b>	Motivation and entrepreneurial orientation	Correlation matrix	Rejected
<b>H<sub>01d</sub></b>	Motivation and entrepreneurial intention	Correlation matrix	Rejected
<b>H<sub>01e</sub></b>	Motivation and business performance	Correlation matrix	Rejected
<b>H<sub>01f</sub></b>	Motivation and business support	Correlation matrix	Accepted
<b>Hypothesis 2(H<sub>02</sub>)</b>	There is no significant correlation between the stated variables		
<b>H<sub>02a</sub></b>	Culture and self-efficacy	Correlation matrix	Rejected
<b>H<sub>02b</sub></b>	Culture and entrepreneurial orientation	Correlation matrix	Rejected
<b>H<sub>02c</sub></b>	Culture and entrepreneurial intention	Correlation matrix	Rejected
<b>H<sub>02d</sub></b>	Culture and business performance	Correlation matrix	Rejected
<b>H<sub>02e</sub></b>	Culture and business support	Correlation matrix	Rejected
<b>Hypothesis 3 (H<sub>03</sub>)</b>	There is no significant correlation between the stated variables		
<b>H<sub>03a</sub></b>	Self-efficacy and entrepreneurial orientation	Correlation matrix	Rejected
<b>H<sub>03b</sub></b>	Self-efficacy and entrepreneurial intention	Correlation matrix	Rejected
<b>H<sub>03c</sub></b>	Self-efficacy and business	Correlation matrix	Rejected

	performance		
<b>H<sub>0</sub>3d</b>	Self-efficacy and business support	Correlation matrix	Accepted

<b>Hypothesis 4 (H<sub>0</sub>4)</b>	There is no significant correlation between the stated variables		
<b>H<sub>0</sub>4a</b>	Entrepreneurial orientation and entrepreneurial intention	Correlation matrix	Rejected
<b>H<sub>0</sub>4b</b>	Entrepreneurial orientation and business performance	Correlation matrix	Rejected
<b>H<sub>0</sub>4c</b>	Entrepreneurial orientation and business support	Correlation matrix	Rejected
<b>Hypothesis 5 (H<sub>0</sub>5)</b>	There is no significant correlation between the stated variables		
<b>H<sub>0</sub>5a</b>	Entrepreneurial intention and business performance	Correlation matrix	Rejected
<b>H<sub>0</sub>5b</b>	Entrepreneurial intention and business support	Correlation matrix	Accepted
<b>Hypothesis 6 (H<sub>0</sub>6) – H<sub>0</sub>6a</b>	Business performance and business support	Correlation matrix	Accepted
<b>Hypothesis 7 (H<sub>0</sub>7)</b>	There is no significant difference between the mean scores of the origin of the business owner and start-up factors		
<b>H<sub>0</sub>7a</b>	Origin of owner and culture	Mann-Whitney test	Accepted
<b>H<sub>0</sub>7b</b>	Origin of owner and self-efficacy	Mann-Whitney test	Rejected
<b>H<sub>0</sub>7c</b>	Origin of owner and entrepreneurial orientation	Mann-Whitney test	Accepted
<b>H<sub>0</sub>7d</b>	Origin of owner and entrepreneurial intention	Mann-Whitney test	Accepted

<b>H<sub>0</sub>7e</b>	Origin of owner and business performance	Mann-Whitney test	Accepted
<b>H<sub>0</sub>7f</b>	Origin of owner and business support	Mann-Whitney test	Rejected
<b>H<sub>0</sub>7g</b>	Origin of owner and motivation	Mann-Whitney test	Accepted
<b>Hypothesis 8 (H<sub>0</sub>8) H<sub>0</sub>8 (1–6):</b>	Age of business owner and business start-ups: culture, self-efficacy, orientation, intention, performance and business support	Kruskal-Wallis test	Accepted
<b>Hypothesis 9 (H<sub>0</sub>9)</b>	There is no significant correlation between the stated variables		
<b>H<sub>0</sub>9 (1–6):</b>	Business size and start-up factors: culture, self-efficacy, orientation, intention, performance and business support	Kruskal-Wallis test	All accepted but entrepreneurial orientation is rejected.
<b>Hypothesis 10 (H<sub>0</sub>10)</b>	There is no statistical significance difference between the means of business age and the variables culture, self-efficacy, intention, orientation, performance and business support.		
<b>H<sub>0</sub>10 (1–6):</b>	Age of business and business start-ups: culture, self-efficacy, orientation, intention, performance and business support	Kruskal-Wallis test	All accepted but business support is rejected.
<b>H<sub>0</sub>10:5 (i–iv):</b>		Mann-Whitney test	Hypotheses 1, 2, 3 & 4 are accepted. Hypothesis 5 is rejected

<b>Hypothesis 11 (H<sub>0</sub>11)</b>	There is no statistical significance difference between the means of owner's education and the variables culture, self-efficacy, intention, orientation, performance and business support.		
<b>H<sub>0</sub>11 (1-6):</b>	Education of owner and start-ups: culture, self-efficacy, orientation, intention, performance and business support	Kruskal-Wallis test	Hypotheses (1,2,3,4& 6) are accepted. Hypothesis 5 is rejected
<b>H<sub>0</sub>11:5 (i-v):</b>		Mann-Whitney test	Accepted
	There is no statistical significance difference between the means of owner's age and the variables culture, self-efficacy, intention, orientation, performance and business support.		
<b>Hypothesis 12 (H<sub>0</sub>12(1-6))</b>	Gender and start-ups: culture, self-efficacy, orientation, intention, performance and business support	Mann-Whitney test	Hypotheses (2,3,4,&6) are accepted.  Hypothesis 1 &5 are rejected

## 5.10 CONCLUSION

The chapter presented the main findings of the empirical study. In this chapter, relevant information was obtained and explained by means of descriptive and inferential statistics. Relevant data were captured and provided in tabular form and figure format. Various statistical techniques and methods were practically applied in this chapter.

The demographic information of the respondents (local and foreign) showed normal distribution. Demographic data showed that 36% of the respondents have at least Matric (Grade 12) and that 64% were male, while 36% were female.

The t-test, the Mann-Whitney tests and the one-way ANOVA tests were executed to present the statistical differences between numbers of variables. There were significant differences between origin of owners and self-efficacy, business

performance and business support. The t-test showed some significant differences among some constructs and demographic variables, such as the significant difference between the variable, business size and entrepreneurial orientation. There were also significant differences between age of business and business performance and also between business performance and education, as well as gender of entrepreneur.

Significant differences identified by ANOVA were investigated further by testing individual items.

The next chapter revisits the objectives, discusses the findings, makes final conclusions, provides recommendations for policy makers and makes suggestions on areas for further research.

## **CHAPTER 6**

### **CONCLUSION AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

In the previous chapter, the results of the data of the study were presented, tested and interpreted. This chapter presents the conclusion, recommendations and contribution of the study to the field of business management.

The study was undertaken to investigate the assumption that in the SMME sector, immigrant entrepreneurs perform better than South African entrepreneurs. The researcher looked at the basis of entrepreneurial formation by investigating the motivation, intention, self-efficacy, culture, business and government support, and entrepreneurial orientation and performance of immigrant and local owner-managers of SMMEs.

This chapter consists of three parts. The first part is an overview of the literature study and the research objectives and hypotheses of the study. The second part is a discussion of the implications of the findings of this study as presented in Chapter 5. In the third part, the contribution of this study is explained and the recommendations, including further research areas, are given.

#### **6.2 OVERVIEW OF THE STUDY**

##### **6.2.1 The literature review revisited**

The literature review was covered in Chapters 1, 2 and 3 of this thesis. The explanatory theories were obtained from the literature review, which then provided an indication of what to expect logically in terms of the research propositions. The questions in the research instrument were grounded on the literature on the topic.

In Chapter 1, an overview background of SMMEs in Gauteng's major cities and the classification of enterprises in South Africa, as they are defined in the National Small Business Amendment Act 29 of 2004, were given. The examination of SMME entrepreneurs in Johannesburg and Tshwane was of particular interest to the study because these two cities are the focal point for much of the recent international migratory inflow to South Africa and large parts of the cities have been taken over by foreign migrants (Rogerson, 2005:5).

In Chapter 2, different motivation and intention factors for starting a business were identified from the literature. The entrepreneurial intention model, which is necessary for an entrepreneur to perform effectively, was reviewed. The effect of culture on entrepreneurship was also reviewed. The literature revealed that there is a positive correlation between culture and one's motivation to start a business. This was supported by the empirical findings of this study.

The literature review led to the development of a detailed model that integrated the different models of Shapero (2002), Krueger (1993), Shapero-Krueger (2002) and Ajzen (1991). It is recommended that human and social capital be added to Shapero's model of the entrepreneurial event (the SEE). The new model, which is called the Model of Entrepreneurial Intention (intentions having replaced Shapero's event), can be used by business advisors to advise emerging entrepreneurs before they start with their businesses. It has not been tested in this study, but is recommended for future research.

The impact of self-efficacy on the propensity for self-employment was also reviewed in the literature. The literature showed that there is a positive relationship between self-efficacy and the motivation to start a business.

Chapter 3 focused on entrepreneurship among immigrants in South Africa. The chapter contained an overview of immigrant entrepreneurship in South Africa and a study of factors that determine entrepreneurial migration, types of business activities among immigrant entrepreneurs and survival factors of immigrant entrepreneurs. A model on successful immigrant entrepreneurial factors was developed and integrated into the existing model on survival factors of immigrant entrepreneurs. The model can

be used by local entrepreneurs, as it shows factors applied by immigrant entrepreneurs for their business survival. The researcher added the personal factors since these were found to be more suitable for the survival of a business. It is named The Model of Entrepreneurial Success Factors. This model still needs to be tested for further research.

The chapter further clarified the concepts of entrepreneurial orientation and entrepreneurial performance. The model on business owner performance was also explained. The business model highlights the research constructs and study hypotheses.

### **6.2.2 The relationships between the constructs**

The study was aimed at finding and identifying the influence of culture and self-efficacy on the entrepreneurial intention or motivation to start a business. To adequately address this aim, a number of hypotheses were postulated and tested. A selected hypothesis is stated and the results highlighted and recommendations suggested.

#### *(1) Motivation and culture*

**H<sub>0</sub>1a:** There is no significant correlation between motivation to start a business and culture. The null hypothesis was rejected.

The results of the study show that there is a significant positive correlation between culture and motivation to start a business. It is therefore recommended that societies should emphasise achievement, since one's motivation to start a business depends on one's cultural background. The results support the literature on motivation, which indicates that motivation for business formation is not universal and the differences in cultural frames of reference could account for differences in the motivation for business formation.

We are living in a society where getting a job is given a higher priority than creating a job. If a society emphasises getting a good education for the purpose of getting a

good job, entrepreneurship is viewed as a less desirable career choice. If parents are self-employed in their own businesses, this makes entrepreneurship more salient and potentially more attractive for their children (Kunene 2008:91). In a previous study Radipere (2003:97) pointed out that 30% of business owners in the Pretoria area preferred to take high-paying jobs than to run their own businesses. This is a clear indication that most business owners are pushed rather than pulled into entrepreneurship. The GEM (2011:28) reported that many young people in South Africa attempt to enter the job market immediately after leaving school. Given that South Africa has a very low business establishment rate (the lowest of the BRICS countries), it is suggested that relatively few jobs will be available for school leavers – hence the need for an entrepreneurial culture.

A culture that is supportive of entrepreneurial activities, low uncertainty avoidance, high individualism and low power distance, may positively relate to a high level of entrepreneurial self-efficacy. Education, formal and informal, informs and builds culture.

Entrepreneurship education is widely accepted as being relevant in contributing to entrepreneurial culture and in turning economic development. It can reconstruct welfare and build partnerships between the public and business sectors by harnessing the dynamism of markets with a public interest focus (Sikalieh & Otieno, 2010:17). Developing entrepreneurial skills and initiatives should be a major concern of higher education, in order to facilitate the employability of graduates who will be called upon not as job seekers but as job creators (Unesco 2006:78). The study therefore recommends introducing entrepreneurship education at schools and in all disciplines at universities.

## (2) *Motivation and self-efficacy*

**H<sub>01b</sub>:** There is no significant correlation between the motivation to start a business and self-efficacy. The null hypothesis was rejected.

The results show a significant positive correlation between motivation and self-efficacy. It is recommended that people's self-belief should be encouraged so that

they can be motivated to start businesses. Self-efficacy is a belief that you have skills you can rely on to help you navigate life and reach your goals. It is recommended that entrepreneurship education should go beyond analytical skill development to teaching self-confidence and motivation when one is confronted with difficult situations. This will help people not to become discouraged prematurely and abandon their aspirations to start a business. A well-designed entrepreneurship programme is recommended to give students a realistic sense of what it takes to start a business, underpinned by raising their self-confidence.

Bandura (2001:20) points out that the most effective way of developing a strong sense of efficacy is through mastery experience and that by performing a task successfully, one's sense of self-efficacy is strengthened. He also says that by learning how to minimise stress and elevate their mood when facing difficult or challenging tasks, people can improve their sense of self-efficacy. Seeing people similar to oneself succeed through sustained effort raises observers' belief that they too possess or can master comparable capabilities to succeed. The study recommends that entrepreneurial education should include interaction with successful business role models from whom students can learn how to build self-belief. A model of experiential entrepreneurship education (Dhliwayo 2008) provides for the development of self-efficacy by integrating practising businesspeople, the community and educational institutions.

### (3) *Motivation and entrepreneurial intention*

**H<sub>01d</sub>:** There is no significant correlation between motivation to start a business and entrepreneurial intention. The null hypothesis was rejected.

The results show that there is a significant positive correlation between the motivation to start a business and an entrepreneur's intention to start one. Motivation is what drives people to behave in certain ways, while intention is the belief that one will perform certain behaviour. Nieman and Nieuwenhuizen (2009:34) classify motivation factors to become an entrepreneur as pull and push factors. Pull factors are independence, general confidence, achievement, motivation, drives and egoistic

passion. The pull factors encourage people in traditional positions to leave their current jobs to become entrepreneurs.

Entrepreneurship programmes should be introduced at colleges and universities to teach fundamental skills, coupled with soft skills that can build confidence, professionalism and interpersonal skills in order to help entrepreneurs.

#### *(4) Motivation and business performance*

**H<sub>0</sub>1e:** There is no significant correlation between motivation and business performance.

The results show that there is a significant positive correlation between the motivation to start a business and business performance. The null hypothesis was rejected. The results support Hisrich and Brush (2009:32) who identify individual motivations and the business owner's goals as related to performance among entrepreneurs and opportunity motivation as related to the survival of the business start-up. Due to the perceptual barriers that accompany an entrepreneurial career, it is expected that both immigrant and local entrepreneurs are motivated by independence and achievement to ensure solid performance of their businesses. Performance is determined by motivation (goal or desire), ability (training, knowledge and skills) and the opportunity to perform. An individual's motivation to succeed can result in better business performance. A motivated entrepreneur is more likely to succeed in business than an unmotivated entrepreneur.

#### *(5) Culture and entrepreneurial intention*

**H<sub>0</sub>2c:** There is no significant correlation between culture and entrepreneurial intention.

The results from the empirical research show that there is a significant correlation between the culture of the entrepreneur and his or her intention to start a business. These are expected results, since the GEM 2010 Global Report and other GEM reports since 2001 have reported on South Africa's low entrepreneurial culture. Some potential entrepreneurs and their intention to start a business are underpinned by the

perceptions society holds of entrepreneurs, the status these individuals enjoy in their society and whether the media positively represents entrepreneurs.

GEM (2011:32) reported South Africa's rate of entrepreneurial intention as a very low 17.6% in 2011. Considering South Africa's unemployment rate (23.9%), it is a concern that so few individuals want to pursue entrepreneurship(GEM,2011:33). Given the relatively low increase in the TEA rate over a five-year period, it is clear that a significant percentage of entrepreneurial intention did not translate into actual business.

### **6.2.3 Comparison between immigrant and local entrepreneurs**

To find out if immigrant and local entrepreneurs are the same in terms of how they are motivated to start businesses and the support systems they get, the study designed hypotheses to find the difference between the origin of business owners and the main constructs of the study: motivation, culture, self-efficacy, entrepreneurial intention, entrepreneurial orientation, business performance and business support.

#### *(1) Motivation and the origin of the owner*

**H<sub>07</sub>**g stated that: There is no significant difference between the mean scores of the origin of the owner and the motivation to start a business.

The results of the study revealed that there is no significant difference between the motivation to start a business and the origin of the business owners. This implies that the motivation to start a business is not determined by whether the owner is local or foreign.

This also implies that local and foreign entrepreneurs are motivated by the same factors to start a business. Therefore, there is no excuse for locals not to start their own businesses since they have the same "motivation to start" capacity as foreigners. An economy's capacity for entrepreneurship is determined by individuals'

ability and motivation to start businesses, and this may be enhanced by a society's positive perceptions and attitudes about entrepreneurship.

Regular open-days for entrepreneurs at municipal level are suggested, where entrepreneurship champions can address issues on small business ownership. It is also recommended to have a significant media buy-in by local newspapers, radio and/or magazines which can motivate people to participate in entrepreneurship. The media can also increase awareness and involvement in entrepreneurship development in South Africa. Therefore, locals should be made to see the foreign owners and their success as role models. It should be made clear that both foreign and locals are driven by the same motives and circumstances. This is the message which the media have to convey, so that the foreign businesses are not viewed in a negative light, as seems to be the case currently.

(2) *Business performance and the origin of the owner*

**H<sub>07e</sub>:** There is no significant difference between the mean scores of the origin of the owner and business performance.

A t-test was used to find the significant difference between the mean scores of the origin of the owner and business performance.

The aim of the hypothesis was to find out if immigrants' businesses perform better than that of locals. The results show that there is no statistically significant difference between the mean scores of the origin of the owners and business performance. This implies that the performance of business is not affected by whether the owner is local or foreign. The levels of performance of the two groups were almost the same. This is an important finding because it was the major aim of the study.

There have been intermittent but persistent, and at times fatal, attacks on non-South African entrepreneurs. Many traders have been killed by groups purporting to represent unemployed people in South Africa (Nkealah, 2011:125; Human Science Research Council 2008:26). Local people have physically assaulted immigrant traders, stole their goods (stocks) and forced them at gun-point from sites/stands

allocated to them by city councils. South Africans complain that foreigners are taking their jobs and businesses and that they had, for example, taken over the taxi industry (Nkealah, 2011:125).

There is no reason why local entrepreneurs should be expected to perform better than immigrant entrepreneurs because of home-ground advantage. There is a tendency to make false judgments about the success of immigrant entrepreneurs compared to local entrepreneurs in South Africa. The apparently strong business establishment of foreign ethnic economic activities in South Africa presents a template of success for immigrant entrepreneurialism. The findings do not support the assertion that foreign owners perform better than local owners. The results have proved that there is a misconception that foreign-owned businesses perform better than local businesses. The study therefore dispels this myth.

(3) *Business support and the origin of the owner*

**H<sub>07f</sub>:** There is no significant difference between the mean scores of the origin of the owner and business support.

This research objective was designed to determine if both groups of entrepreneurs get any form of business support from any source for their business survival.

A t-test was used to find the significant difference between the mean scores of business owners and business support. The results revealed that there is a statistically significant difference between the mean scores of the origin of the owners and business support. This result shows that the variable “origin of owner(s)” does play a significant role for the owner to get business support.

The literature indicates that South African entrepreneurs experience difficulties in getting business support from the government for their business survival. Foreign nationals indicated that they did not get business support from the South African government, but instead get it from their families in their home country. The literature shows that most immigrants do not belong to local trade associations. This could be expected, given the negative attitudes that the immigrant entrepreneurs are at times

exposed to locally. This may impact negatively on the ability of immigrant entrepreneurs to tap finance and other skills that trade associations offer. Trade association boards organise workshops and training for association members and member businesses are also registered at the government databases for possible tender advertisement access. Since the networking of immigrant entrepreneurs is limited to co-immigrants, it is important that immigrant entrepreneurs join local chambers of commerce to extend their networks. This could enable immigrants to tap into other sources of finance like trade credit.

#### **6.2.4 Demographic variables and dependent variables**

The study sought to determine if the demographic variables age of owner, business size, age of business and gender influence the dependent variables motivation, self-efficacy, culture, entrepreneurial intention, entrepreneurial orientation, business performance and business support. In this section of the study only the performance and entrepreneurial orientation results are highlighted. Hypotheses were designed to find out how the demographic variables age of owner, education of owner, business size, business age and gender affect business performance.

The following hypotheses were postulated and tested.

(1) *Entrepreneurial orientation and business size:  $H_0$ 9b(vi)*

There is no statistically significant difference between the mean values of entrepreneurial orientation and business size.

The results show that there is a statistically significant difference between the mean values of entrepreneurial orientation and business size (measured by number of employees). The results also show that a significant difference exists at a certain level of business size (100 employees) and becomes insignificant when employees are over 100 (101 to 200 and more employees). Fewer and manageable employees in the business help the entrepreneur to demonstrate his risk-taking and decision-making skills, which leads to high entrepreneurial performance. The size of the

business can have a major impact on how the business owner executes business activities and will affect the strategy in the business.

(2) *Business performance and business age:  $H_0$ 10(5)*

There is a statistically significant difference between business performance and business age.

The results show that there is a significant difference between age categories, less than one year, one to four years, five to 10 years and 11 to 20 years – except for more than 20 years, which are not significant. This means that after 20 years of existence, age is no longer a significant factor in a firm's performance. This stage is mostly characterised by strong organisational learning and lack of competitiveness. At this maturity stage, competition becomes stronger and problems begin to surface. The age of a firm represents the experience of firms in the industry, which is the influential factor for firm success (Takalashi, 2009:38). Therefore entrepreneurial behaviour is needed at the stagnation stage to breathe new entrepreneurial life into the organisation. The organisation should make decisions about investing in and supporting entrepreneurship, because its focus is on evaluating the degree to which entrepreneurial actions are enhancing current and future performance.

(3) *Business performance and education of owner:  $H_0$ 11:5(i-iv)*

There is no statistically significant difference between the mean values of the business performance and the education of the owner.

The results revealed that there is a statistically significant difference between the mean values of business performance and the education of the owner at the category Grade 1 to 7 and diploma and degree. This result shows that the variable "owner's qualification" does play a significant role in business performance. The GEM (2010:32) reported that a healthy and well-educated workforce is important to a business's competitiveness and productivity. It is recommended that people should be educated to be able to do better in business.

In today's increasingly integrated global economy, businesses have to proactively encourage, develop and support well-educated employees who are able to adapt to a rapidly-changing environment and the evolving needs of production systems through innovations which will drive growth (GEM, 2011:57). A higher level of education is considered important if the country wishes to see increased capacity for innovation. The Global Competitiveness Report of 2011/2012 rated South Africa 131<sup>st</sup> out of 142 economies for health and primary education (The Global Competitiveness Report, 2011-2012). Lack of mathematically- and scientifically-literate students decrease the potential South Africa has to remain competitive in a knowledge economy. Early exposure of learners to entrepreneurship in all schools in the country is essential and important. This will encourage participation in entrepreneurship by learners at all levels and they will be intent on having businesses when they are grown up. For a business to perform well, it needs a well-educated workforce. Entrepreneurship education is also recommended at all levels of education, for the country to be more entrepreneurial in the future.

(4) *Gender and business performance:  $H_0$ 12(5)*

There is no statistically significant difference between the mean ranks of gender and business performance.

The results revealed that a significant statistical difference does exist between gender and business performance. This result shows that the variable "gender" does play a significant role in business performance. The GEM reported that in South Africa, men are more involved in entrepreneurship – 1.5 to 1.6 times more likely than women. The researcher believes the notion that women in poor communities tend to be more involved in family and community upliftment activities than in business activities. According to Radipere (2003:75), culture and social norms are more likely to play a role in gender differences – particularly since women traditionally have more domestic responsibilities to fulfil, such as child-rearing. Research has to be conducted to find out why South African women do not perform as well as men in business.

## 6.3 RECOMMENDATIONS

This section elaborates on the recommended strategies to improve the performance of South African SMMEs. The strategies are based on the findings of the study. Recommendations for further research are also suggested.

### 6.3.1 Motivation to start a business

The study indicates that to have money, to run away from problematic situations and to show people that you can run a business are not regarded as important motivating factors; instead, the quest for independence, general confidence, achievement motivation, drive and egoistic passion are important. Starting a business requires a huge amount of commitment and it should not be pursued if you cannot do it wholeheartedly. Successful entrepreneurs are rarely motivated by money. They achieve wealth because they believe in what they are doing and inject personal core values into how they build a business. If one's main goal is to make money, eventually one will make business decisions based on wrong reasons and will ultimately hurt one's reputation and growth potential. If monetary goals are one's important goals, one may miss the sense of accomplishment, purpose and rewards of knowing one is doing something worthwhile. Money should be at the bottom of the list of motivating factors because one can still earn more money at a fairly high paying job. As shown in the literature, recommended ideas to motivate people to start a business are:

- *Passion*: Passion is a prerequisite for starting a business and a huge motivator because through establishing a start-up, you fuel your passion. People must pursue business activities which they have a passion for. An entrepreneur who pursues a business enterprise he or she finds interesting and fascinating is more likely to succeed (Nieman & Nieuwenhuizen, 2009:32).
- *Changing the world*: For an entrepreneur, starting a business that will change the world is part of creating value. Entrepreneurs must be able to develop new ideas into marketable products or services so that they can take advantage of an opportunity (Groenewald et al, 2006:46).

- *Creating value:* Anything the entrepreneur produces in business must create value for others. An entrepreneur must develop new and unusual ideas for value-creating products and services. It is suggested that the government create a favourable climate to allow entrepreneurs to release their potential. The government can help by making complex legislation easier for start-ups and reducing the tax burden on new entrepreneurs.

### **6.3.2 Culture, self-efficacy and entrepreneurial intention**

#### *(1) Culture*

If a society emphasises getting a good education for the purpose of getting a good job, entrepreneurship is viewed as less desirable as a career choice. The nation, together with the government, needs to set the stage to enable a larger part of the population to participate in a more open, more accessible and more widespread culture of innovative entrepreneurship. This can be done by attempting the interplay of several factors, like significance of the entrepreneurial idea, the benefits of creativity, chances for the systematic development of ideas, and adapting them to society's values and problems.

We cannot impose a set of values on entrepreneurship, but we should be aware that it is value that motivates people to take action. A culture of entrepreneurship can be created by opening up the field to more groups in society that are not traditionally linked to business. By this, a new influx of values, new patterns of problem-solving, new ideas being put into entrepreneurship and new quality of participation in the economic sphere can be expected. The influence of human aspects such as norms, values, morals, family ties and support forms the framework within which individuals can pursue entrepreneurial opportunities. Culture and its influence on entrepreneurial intentions help the entrepreneur to make decisions.

It is therefore recommended that a culture of entrepreneurship be promoted to raise the TEA rate. It is also recommended that the government create a favourable climate for the entry of new entrepreneurs by financing them and offering them training and development. Meetings of SMME entrepreneurs and champions of

entrepreneurship or role models for SMMEs should be encouraged to lead in this effort. This will encourage entrepreneurship among emerging entrepreneurs and will lead to an increased TEA rate.

### (2) *Self-efficacy*

The study further revealed a positive correlation between self-efficacy and the motivation to start a business. It was noted that without this important motivational construct, one will not be able to successfully perform the tasks and roles of an entrepreneur. Strong advocacy and encouragement should be provided for people who wish to take advantage of entrepreneurial opportunities and demonstrate some passion and technical competence to start or grow a business.

It is recommended that adults teach young people to identify and challenge negative thoughts that undermine their self-belief to master a task. Adults can teach children to challenge negative thinking by helping them to first identify the negative thought and then to use evidence to prove why the negative thought is inaccurate. Self-efficacy can be developed by replacing negative thoughts with positive truths. Adults must increase self-efficacy by teaching young adults to identify successes and to accurately assess their potential contribution. Giving young adults opportunities to control their environment, to make decisions, to use and practise their skills, and to try different paths to achieve their goals will help build self-efficacy.

### (3) *Entrepreneurial intention*

The study shows a positive correlation between entrepreneurial intention and the motivation to start a business. An untested new model on entrepreneurial intention is recommended, which shows that people's entrepreneurial intent is influenced not just by self-efficacy, but by human capital and social capital factors such as cultural influences, family, friends and personal exposure. These factors inform the intention to start or not to start a business. This model shows that social capital and human capital influence the individual to develop entrepreneurial intention.

The motivators of entrepreneurial intention (employment, autonomy, creativity, macro-economy and capital) need to be improved. This can be done through entrepreneurial education. Entrepreneurial education is needed to enhance the skills and knowledge of entrepreneurs. Entrepreneurial skills include creativity, innovation, risk-taking and ability to interpret successful entrepreneurial role models. Entrepreneurial education provides the basics of practical business practices. Introducing learners to entrepreneurship education at an early stage in the entrepreneurial process can be beneficial, as they develop intentions toward starting a new business.

Studies have found that the majority of South Africans have no tertiary education and the quality of our primary education is ranked 11<sup>th</sup> worst by the World Economic Forum and 73<sup>rd</sup> by the Global Competitiveness Index for higher education and learning. Improving access to tertiary education and the quality thereof will help impart entrepreneurial education to an increased number of potential and existing entrepreneurs.

### **6.3.3 Business performance**

Business performance is measured by income, profit, market share, return on investment, number of employees and product lines. For a business to be successful, the entrepreneur must ensure that the business operates as efficiently and effectively as possible. Lerner, Brush and Hisrich (1997:77) integrated the business owner's performance model with other theoretical perspectives to build a new business performance model which includes human capital, motivation and goals, networks, self-efficacy, culture and entrepreneurial intention. These factors contribute to the performance of business reflected through revenue/sales, profitability and number of employees.

The following is recommended to improve business performance: business owners should ensure that their employees are involved in the decision-making process and have the capacity and confidence to implement and deliver on strategy. Effective use of employees will increase business performance. It is important that employees are well trained to use the necessary technology and understand the

importance of technology in the business. Training and development practices can promote entrepreneurial behaviour to the extent that they are applicable to a broad range of job situations and encourage high employee participation. Better education brings about better performance.

Performance measures show that both groups are doing moderately well. It is therefore recommended that there is a need to let this be known to the local business community and the people at large, so as to curb xenophobic tendencies which are often fuelled by these misconceptions.

#### **6.3.4 Business support**

The findings of the study revealed that businesses did not receive business support from government, but received some support from their families. Business support measures include training, finance, procurement and counselling.

The GEM report in 2011 cited financial support and government policies as the factors most constraining entrepreneurship. Though there are government agencies and programmes that are designed to support SMMEs, GEM (2011) reported that those agencies are ineffective because they are staffed by people who are not qualified, lack practical business experience and who have never been entrepreneurs. Inefficient government bureaucracy is the most problematic factor for doing business in South Africa. Therefore, the government is urged to remove key obstacles small businesses encounter that are the direct and indirect result of laws and regulations, such as accessing government funding through government agencies and the reduction of tax for SMMEs.

Introducing a web-based business information service which will work as an extension of present business centres around the country is recommended. This should be an open exchange where businesses can find all the information available to them in one place, offered impartially and independently by any provider of advice, grants or finance. All government departments would be obliged by law to ensure that all relevant information and documents for new and established businesses are available through the Business Information Service. Because the

service would be web-based with telephone support, it would ensure the best possible access for everyone and would enable a free online resource for entrepreneurs, start-ups and growing businesses. Each centre would have its own officials to help those who are not computer-literate to access the information. They will help entrepreneurs by providing information on development and will help them to network with other entrepreneurs in other regions.

### **6.3.5 Immigrant entrepreneurs**

Portes et al (2009:45) point out that in the past the traditional Japanese society regarded business activities as dishonourable jobs, and that attitude allowed the Chinese to successfully enter the business sector. A similar scenario seems to have happened in South Africa, because nowadays every corner of every town has foreign-owned businesses - for example, businesses owned by Nigerians, Pakistanis and Ethiopians.

Creative immigrant entrepreneurs are able to generate market niches for specific cultural foods to the extent that sometimes ethnic goods even become normal goods - for example, Italian pizza and Chinese food. According to Hofstede (2001:147), cultural elements and values are the essential determinants of entrepreneurial activity. He further stated that there are value-laden groups whose skills are cultivated within the family or within the community. These types of skills are known as ethnic resources. These skills can be transferred to South African entrepreneurs.

Entrepreneurs from West Africa specialise in clothing production which includes tailoring, dressmaking, specialised embroidery, and the production of men's and women's garments (often with traditional West African motifs). Many South Africans like these products and local entrepreneurs should learn from this. Entrepreneurs from West and Central Africa operate restaurants and clubs, where they specialise in supplying clients with food, music and clothes from their home countries. This confirms the importance of networks. Immigrant entrepreneurs in car repair and maintenance tend to come from Zimbabwe and Mozambique, while those producing wire products and curios tend to come from Malawi and Zimbabwe. The two countries of Malawi and Zimbabwe have strong traditions of curio-carving for tourism.

A smooth transfer of skills from immigrant to local entrepreneurs should be encouraged, since this can help this country to be more competitive.

The other advantage of immigrant entrepreneurship is that it contributes to resolving the problematic employment situation of young people in ethnic segments of the urban economy. It is recommended that local entrepreneurs learn from their foreign counterparts how to produce ethnic goods that local people like.

South Africa needs to learn how better to manage its immigration-related responsibilities and challenges so that it can benefit better from this foreign knowledge. Most immigrant entrepreneurs do not have bank accounts and do not apply for credit. It is recommended that commercial banks should bring more immigrants into the banking system by lowering or removing barriers to open accounts. They should develop partnerships with immigrant associations to make it easier for migrants to conduct their businesses, which contribute to the South African economy (for example, in providing employment, skills transfer and banks that benefit from migrant business deposits).

Immigrant entrepreneurs create employment and contribute to economic growth; thus, the government should start engaging immigrant entrepreneurs in their programmes and reducing the time it takes to obtain business permits. Therefore, Government should be urged to include immigrants in all its programmes to develop entrepreneurship in the country. Immigrant entrepreneurs help in reducing unemployment in the country.

Foreign students should be encouraged to stay on after the completion of their studies so that they can continue in entrepreneurship. The Council on Higher Education (2011:65) reported that 893 024 foreign students registered with South African universities in 2010, with the highest student number (46 496) coming from SADC countries.

Nestorowicz (2011:47) has identified survival strategies of immigrant entrepreneurs which can be recommended to locals.

- *Degree of competition:* Migrant entrepreneurs usually avoid high degrees of competition and choose markets with lower competition. The lower the degree of competition at a particular place, the higher the chances of success. The higher the entry barriers, the higher the risk. Local entrepreneurs are advised to consider competition before entering a market. Locals tend to go into businesses that they see are doing well and this results in over-trading -for example, taverns, spazashops, shebeens, saloons, cellphone shops, taxis and internetcafés.
- *Support network:* This is the immigrants' relationships with relatives, family, kin groups or friends in the receiving region. Migrants prefer to stay close to other family members. The larger the concentration of family and kin in a particular place, the greater the likelihood that new migrants will remain there. Local entrepreneurs must have good relationships with their family as their support group. At times, selfishness among local entrepreneurs does not allow them to work together on any project or endeavour of substance. Whenever they get together, their selfishness lets their egos get in the way of their goals. Teamwork produces good results.

There is therefore a need to promote a culture of team-work in entrepreneurship and entrepreneurship education. Local entrepreneurs should also learn from foreign business owners and integrate their strategies in managing their businesses and get government support.

#### **6.4 THE CONTRIBUTION OF THE STUDY**

The empirical results of the study provide new insight into entrepreneurship as it dispels the myth that foreign-owned businesses perform better than local businesses. Performance measures show that both groups are doing moderately well. This facilitates the synthesis of existing research and helps to address the gaps in the existing theories.

In South Africa, scholars have undertaken few studies on immigrant entrepreneurship and the motivation of entrepreneurs. One known study conducted by Boris Urban in

2004 focused on the moderating effects of culture and self-efficacy on entrepreneurial intention, but not on immigrant entrepreneurship. Other studies on immigrant entrepreneurship in South Africa focused on motivation, obstacles and financial barriers of immigrant entrepreneurs (Raijman, 2001:395; Licht, 2007:11). This study focused on the motivation of entrepreneurs to start a business and looked at both local entrepreneurs and immigrant entrepreneurs.

The other contribution of the study is that it has been empirically proven that there is a relationship between the performance of the business and the business owner's motivation. This study has shown that a significant correlation exists between motivation and business performance. A motivated entrepreneur is more likely to succeed in business than an unmotivated entrepreneur.

The study also contributed by highlighting the influence of culture, intention and self-efficacy on business performance. A significant correlation exists between these variables. The cultural factors (like norms, values, morals, family ties and support) form the framework within which individuals can pursue entrepreneurial opportunities. Then strong advocacy and encouragement should be provided for people who wish to take advantage of entrepreneurial opportunities.

Even if the study is more business-orientated, it can also be of help in the social field (for example, educating locals about the evils of xenophobic attacks since xenophobia is normally blamed on business competition).

## **6.5 THE LIMITATIONS OF THE STUDY**

The study, like any other research, has some limitations. Firstly, the study was limited to SMEs in Gauteng province and therefore the results may not be generalised to other regions or provinces where the structural make-up of entrepreneurs may be different. Secondly, all data was gathered at a specific time, thus the variables, responses and results may be limited to that point in time. The study is based on SMEs and results may not apply to big businesses, whether started and operated by immigrants or locals.

## 6.6 FUTURE RESEARCH

The entrepreneurship field of study is still young, with few people teaching and researching it. Further research may include the use of the “model of entrepreneurial intention” and the “model of entrepreneurial success factors” discussed in the literature, to see the impact of additional items on the models.

Further research might look at bigger companies and find the motivation behind the establishment of those companies. This study was only carried out in Gauteng province, and further research can be undertaken in all the other provinces or other countries to see if different results can be found.

Future research should involve collecting data on a longitudinal basis in order to help draw causal inferences and validate the findings of the study. It is also proposed that a comparative study on SMMEs in South Africa and SMMEs in one of the BRICS countries (which have shown a higher TEA rate than South Africa in the previous GEM reports on motivation to start a business) be undertaken. An exploratory study to examine cross-cultural differences in the motivation to embark on entrepreneurship at a national level deserves researching. This could shed new light on the impact of motivation on entrepreneurship and is a natural domain for future research following this study.

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## APPENDIX A

1	2	3

For office

### (STRICTLY CONFIDENTIAL)

The main purpose of this questionnaire is to identify the different motives for business startups and the performances of these businesses.

**PLEASE NOTE:**

**Anonymity:** Your response will be treated as a strict confidential communication. Your business name will not be associated in any way with the results.

**Results:** All the responses will be aggregated and statistically treated before incorporated into the research findings. A copy of the general research findings will be available to you on request.

Please provide an honest response to each of the questions below. Mark with an X to the box corresponding with your answer.

### SECTION A

		<b>For official use</b>  <b>V1</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <b>1-3</b>										
<b>1</b>	<b>What is your age group?</b>  <table border="1"> <tr> <td>20-29</td> <td><input type="checkbox"/></td> </tr> <tr> <td>30-39</td> <td><input type="checkbox"/></td> </tr> <tr> <td>40-49</td> <td><input type="checkbox"/></td> </tr> <tr> <td>50-59</td> <td><input type="checkbox"/></td> </tr> <tr> <td>50+</td> <td><input type="checkbox"/></td> </tr> </table>	20-29	<input type="checkbox"/>	30-39	<input type="checkbox"/>	40-49	<input type="checkbox"/>	50-59	<input type="checkbox"/>	50+	<input type="checkbox"/>	<b>V2</b>  <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <b>4</b>
20-29	<input type="checkbox"/>											
30-39	<input type="checkbox"/>											
40-49	<input type="checkbox"/>											
50-59	<input type="checkbox"/>											
50+	<input type="checkbox"/>											

2	<p><b>Where is your business located?</b></p> <table border="1" data-bbox="264 322 686 837"> <tr> <td data-bbox="264 322 496 465">Central Business District</td> <td data-bbox="496 322 686 465"></td> </tr> <tr> <td data-bbox="264 465 496 533">Township</td> <td data-bbox="496 465 686 533"></td> </tr> <tr> <td data-bbox="264 533 496 636">Informal settlement</td> <td data-bbox="496 533 686 636"></td> </tr> <tr> <td data-bbox="264 636 496 703">Rural area</td> <td data-bbox="496 636 686 703"></td> </tr> <tr> <td data-bbox="264 703 496 770">Industrial site</td> <td data-bbox="496 703 686 770"></td> </tr> <tr> <td data-bbox="264 770 496 837">Other (Specify)</td> <td data-bbox="496 770 686 837"></td> </tr> </table>	Central Business District		Township		Informal settlement		Rural area		Industrial site		Other (Specify)		<p>V3</p> <table border="1" data-bbox="1155 322 1260 389"> <tr> <td data-bbox="1155 322 1203 389"></td> <td data-bbox="1203 322 1260 389">5</td> </tr> </table>		5
Central Business District																
Township																
Informal settlement																
Rural area																
Industrial site																
Other (Specify)																
	5															
3	<p><b>Is it your own or rented premises?</b></p> <table border="1" data-bbox="264 969 686 1144"> <tr> <td data-bbox="264 969 496 1037">Own premises</td> <td data-bbox="496 969 686 1037"></td> </tr> <tr> <td data-bbox="264 1037 496 1144">Rented premises</td> <td data-bbox="496 1037 686 1144"></td> </tr> </table>	Own premises		Rented premises		<p>V4</p> <table border="1" data-bbox="1155 904 1260 972"> <tr> <td data-bbox="1155 904 1203 972"></td> <td data-bbox="1203 904 1260 972">6</td> </tr> </table>		6								
Own premises																
Rented premises																
	6															
4	<p><b>What is your gender?</b></p> <table border="1" data-bbox="264 1364 686 1503"> <tr> <td data-bbox="264 1364 496 1431">Male</td> <td data-bbox="496 1364 686 1431"></td> </tr> <tr> <td data-bbox="264 1431 496 1503">Female</td> <td data-bbox="496 1431 686 1503"></td> </tr> </table>	Male		Female		<p>V5</p> <table border="1" data-bbox="1155 1364 1260 1431"> <tr> <td data-bbox="1155 1364 1203 1431"></td> <td data-bbox="1203 1364 1260 1431">7</td> </tr> </table>		7								
Male																
Female																
	7															
5	<p><b>Type of ownership</b></p> <table border="1" data-bbox="264 1695 686 2045"> <tr> <td data-bbox="264 1695 496 1762">Sole-owner</td> <td data-bbox="496 1695 686 1762"></td> </tr> <tr> <td data-bbox="264 1762 496 1830">Partnership</td> <td data-bbox="496 1762 686 1830"></td> </tr> <tr> <td data-bbox="264 1830 496 1933">Close corporation</td> <td data-bbox="496 1830 686 1933"></td> </tr> <tr> <td data-bbox="264 1933 496 2045">Private Company</td> <td data-bbox="496 1933 686 2045"></td> </tr> </table>	Sole-owner		Partnership		Close corporation		Private Company		<p>V6</p> <table border="1" data-bbox="1155 1695 1260 1762"> <tr> <td data-bbox="1155 1695 1203 1762"></td> <td data-bbox="1203 1695 1260 1762">8</td> </tr> </table> <table border="1" data-bbox="1155 1957 1260 2024"> <tr> <td data-bbox="1155 1957 1203 2024"></td> <td data-bbox="1203 1957 1260 2024"></td> </tr> </table>		8				
Sole-owner																
Partnership																
Close corporation																
Private Company																
	8															

<b>6</b>	<b>Number of employees</b>		V7
	1-5		<input type="checkbox"/> <b>9</b>
	6-50		
	51-100		
	101-200		
	200+		
<b>7</b>	<b>How long has the business been in operation?</b>		V8
	Under 1 year		<input type="checkbox"/> <b>10</b>
	1 – 4 Years		
	5 - 10 Years		
	11-20 Years		
	20 Years and more		
<b>8</b>	<b>Nature of industry</b>		V9
	Retail		<input type="checkbox"/> <b>11</b>
	Wholesale		
	Manufacture/Repair		
	Service		
	Other (specify)		
<b>9</b>	<b>Owner's Highest qualification</b>		V10
	Grade 1-7		<input type="checkbox"/> <b>12</b>
	Grade 8-12		
	Diploma		
	Degree		
	Other (specify)		
<b>10</b>	<b>Origins of owner</b>		V11



I started this business because I wanted	extent	extent	extent	extent		<b>use</b>
To be my own boss						V14 <input type="checkbox"/> 16
To prove I can do it						V15 <input type="checkbox"/> 17
To have more money						V16 <input type="checkbox"/> 18
To gain public recognition						V17 <input type="checkbox"/> 19
To provide jobs for family members						V18 <input type="checkbox"/> 20
To survive because I had no job						V19 <input type="checkbox"/> 21
To work with people I like						V20 <input type="checkbox"/> 22
To continue family tradition						V21 <input type="checkbox"/> 23
To follow the example of the person I admire						V22 <input type="checkbox"/> 24

**CULTURE**

To what extent do you agree with the statements in the table below?

	1	2	3	4	5	
<b>Statement:</b>	1.Strongly disagree	2.Disagree	3.Neutral	4.Agree	5.Strongly agree	<b>For office use</b>

<b>I believe that ...</b>						
success is owning a business						V23 25
success is being promoted up through the ranks in business						V24 26
having a lot of money means you come from an influential family						V25 27
time is a limited resource						V26 28
being successful means making a lot of money						V27 29
there is duty to uphold the values and reputation of your family						V28 30
starting a business means a risk of not getting past employment back						V29 31
starting a business is risky due to uncertainty, but this adds to the excitement of your life						V30 32
	1.Strongly disagree	2.Disagree	3.Neutral	4.Agree	5.Strongly agree	
<b>CULTURAL DIMENSIONS</b>						
<b>High Individualism: In life I...</b>						
look at my own interest before considering other people						V31 33
look at family interest before considering other people						V32 34
believe in belonging to a group						V33



discussion with employees on business matters is helpful						V44 46
enforcing rules with employees helps						V45 47
Skills, wealth, status and power are based on effort						V46 48
people are unequal in physical and intellectual capabilities						V47 49

### SELF-EFFICACY SCALE

Please indicate the effort you put in to deal with the following situations:

Statement: How much effort do you put ...	1.None	2.Very little	3.Moderate	4.Quite a bit	5.A great deal	
to promote team support						V48 50
to keep employees on task						V49 51
to motivate your employees who show low interest in their work						V50 52
to get employees to work together						V51 53
to overcome the influence of negative employees on employees achieving goals?						V52 54
<b>DISCIPLINARY SELF-</b>						

<b>EFFICACY</b>						
To get employees to follow business rules						V53 55
To control disruptive behaviour in the business						V54 56
To prevent problem behaviour in the business						V55 57
To make employees feel comfortable coming to work						V56 58
<b>EFFICACY to enlist Business Involvement</b>						
To get your business involved in working with community groups						V57 59
To get local colleges and universities involved in working with your business						V58 60
To make your business a safe place to work in						V59 61
To make employees enjoy coming to work						V60 62
To reduce employee absenteeism						V61 63

**GENERALISED SELF-EFFICACY**

Please indicate how true the following statements would be to your situation.

Statement:	1. Not at all true	2. Slightly untrue	3. Neutral	4. Slightly true	5. Very true	
						<input type="text"/>
I always manage to solve difficult problems in business						V62 <input type="text"/> 64
If someone opposes me, I can find the means and ways to get what I want						V63 <input type="text"/> 65
I am confident that I can deal efficiently with unexpected events						V64 <input type="text"/> 66
It is easy for me to stick to my aims and accomplish goals						V65 <input type="text"/> 67

## ENTREPRENEURIAL ORIENTATION

Please rate the extent to which you agree with the statements in the table below.

	1. Strongly disagree	2. Disagree	3. Don't know	4. Agree	5. Strongly Agree	
						<input type="text"/>
<b>INNOVATIVENESS</b>						
						V66 <input type="text"/> 68
One should try new ways of doing things.						V67 <input type="text"/> 69
One should adopt from competitors new ways of doing business.						V68 <input type="text"/> 70
One should try new lines of products or service						V69 <input type="text"/> 71
One should try many new lines						V70

of product services							72
<b>PROACTIVENESS: In dealing with competitors my business...</b>	1	2	3	4	5		
typically responds to actions that competitors initiate						V71	73
is seldom the first business to introduce new product/services, administrative techniques, operating technologies etc.						V72	74
is very often the first business to introduce new product/services, administrative techniques, operating technologies						V73	75
is the one with a strong tendency to follow the leader in introducing new products or ideas.						V74	76
<b>RISK TAKING:</b>	1	2	3	4	5		
It is important to have a strong proclivity for low-risk projects (with normal and certain rates of return)						V75	77
It is important to have a strong proclivity for high-risk projects (with chances of very high returns).						V76	78
It is unimportant to have a strong proclivity for low-risk projects						V77	79

It is unimportant to have a strong proclivity for high risk projects						V78
						80

**ENTREPRENEURIAL INTENTIONS**

Please rate the extent to which you agree with or feel about the statements in the table below

	1.Strongly disagree	2.Disagree	3.Neutral	4.Agree	5.Strongly agree	
<b>SOCIAL NETWORK</b>						
Social network influenced intentions toward business start-up						V79 81
Social network is strengthened by frequency of contact with my family and friends						V80 82
Strong ties with business-related knowledge, skills and experience provide access to specific information and resources necessary for business start-up						V81 83
Values, attitude, information and skills gained from strong ties, contribute toward increased entrepreneurial intentions						V82 84
	1.Strongly disagree	2.Disagree	3.Neutral	Agree	Strongly agree	
<b>PERCEIVED DESIRABILITY</b>						
I was attracted to start a business because of my family.						V83 85
I was attracted to start a business because of my personal exposure to entrepreneurship.						V84 86
I was attracted to start a business						

because of cultural influences.						V85
						<input type="text"/> <b>87</b>
I was attracted to start a business because of friends.						V86
						<input type="text"/> <b>88</b>
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
<b>PERCEIVED FEASIBILITY: I started my business because ...</b>						
of my previous experience in business						V87
						<input type="text"/> <b>89</b>
I believe in myself						V88
						<input type="text"/> <b>90</b>
I couldn't find a job						V89
						<input type="text"/> <b>91</b>
I was redundant at my workplace						V90
						<input type="text"/> <b>92</b>

## BUSINESS PERFORMANCE

Please rate the extent to which your business has performed in the past 5 years

<b>Statements</b>	1.Decreased significantly	2.Decreased a little bit	3.No change	4.Increased a bit	5.Increased significantly	
<b>In the past 5 years...</b>						<input type="text"/>
my business income has						V91
						<input type="text"/> <b>93</b>
my business profits have						V92
						<input type="text"/> <b>94</b>
my market share has						V93



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Thank you very much for the time you have spent completing this questionnaire.

## **APPENDIX B**

### **Ethics Review Committee's approval letter**

**Ethics Review Committee, Department of Business Management**

**Date: 10 October 2011**

A committee of the Department of Business Management reviewed the application for ethical clearance from:

Mr Simon Radipere (a registered DCom student) who is being supervised by Prof Watson Ladzani of the Department of Business Management, Unisa.

Title of thesis:

***AN ANALYSIS OF LOCAL AND IMMIGRANT ENTREPRENEURSHIP IN THE SOUTH AFRICAN SMALL ENTERPRISE SECTOR (GAUTENG PROVINCE)***

The committee found no ethical infringements as stipulated in paragraph 10.10 of the Unisa Research Ethics Review Committee.

Sincerely

Prof JW Strydom (Convenor)  
Department of Business Management  
Unisa

## APPENDIX C

### SPSS output tables

#### C: 1 Nonparametric Test

**Hypothesis Test Summary**

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Motivation is normal with mean 23.63 and standard deviation 5.94.	One-Sample Kolmogorov-Smirnov Test	.064	Retain the null hypothesis.
2	The distribution of Culture is normal with mean 84.75 and standard deviation 14.70.	One-Sample Kolmogorov-Smirnov Test	.005	Reject the null hypothesis.
3	The distribution of Self Efficacy is normal with mean 73.99 and standard deviation 11.77.	One-Sample Kolmogorov-Smirnov Test	.000	Reject the null hypothesis.
4	The distribution of Entrepreneurial Orientation is normal with mean 40.54 and standard deviation 7.44.	One-Sample Kolmogorov-Smirnov Test	.000	Reject the null hypothesis.
5	The distribution of Entrepreneurial Intentions is normal with mean 39.92 and standard deviation 6.83.	One-Sample Kolmogorov-Smirnov Test	.033	Reject the null hypothesis.
6	The distribution of Performance is normal with mean 21.87 and standard deviation 5.15.	One-Sample Kolmogorov-Smirnov Test	.000	Reject the null hypothesis.
7	The distribution of Business Support is normal with mean 34.04 and standard deviation 8.51.	One-Sample Kolmogorov-Smirnov Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

#### C: 2 T-Test

**Group Statistics**

	Origins of owner	N	Mean	Std. Deviation	Std. Error Mean
Motivation	South African	220	23.29	6.086	.410
	Foreign owner	214	24.11	5.615	.384

**Independent Samples Test**

		Motivation		
		Equal variances assumed	Equal variances not assumed	
Levene's Test for Equality of Variances	F	.267		
	Sig.	.605		
	t	-1.460	-1.461	
	df	432	430.800	
	Sig. (2-tailed)	.145	.145	
t-test for Equality of Means	Mean Difference	-.821	-.821	
	Std. Error Difference	.562	.562	
	95% Confidence Interval of the Difference	Lower	-1.927	-1.925
		Upper	.284	.283

### C: 3 Nonparametric Tests

#### Mann-Whitney Test

##### Ranks

	Origins of owner	N	Mean Rank	Sum of Ranks
Culture	South African	220	213.17	46897.50
	Foreign owner	214	221.95	47497.50
	Total	434		
Self Efficacy	South African	220	237.95	52349.00
	Foreign owner	214	196.48	42046.00
	Total	434		
Entrepreneurial Orientation	South African	219	210.67	46137.00
	Foreign owner	214	223.48	47824.00
	Total	433		
Entrepreneurial Intentions	South African	220	211.69	46571.50
	Foreign owner	214	223.47	47823.50
	Total	434		
Performance	South African	216	211.94	45778.00
	Foreign owner	214	219.10	46887.00
	Total	430		
Business Support	South African	218	190.68	41567.50
	Foreign owner	213	241.92	51528.50
	Total	431		