

**THE FACTORS INFLUENCING THE PERFORMANCE OF YOUTH  
ENTREPRENEURSHIP IN THE CAPRICORN DISTRICT MUNICIPALITY**

**by**

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## **DECLARATION**

I declare that “**An analysis of youth entrepreneurship business performance in Capricorn District Municipality**” is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete reference. I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher education institution.

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## **ABSTRACT**

Youth entrepreneurship is one of the solutions to reducing unemployment. The purpose of the study was to analyse youth entrepreneurship business performance in the Capricorn District Municipality in Limpopo Province. An entrepreneurship development model focusing on internal factors (entrepreneurial orientation) and external factors (supportive and cooperative environments), was adapted to establish whether they are related to youth business performance. The business environmental factors, such as business location, crime, and corruption were also tested as to whether they are related to youth business performance.

The research used a census survey and primary data was obtained through questionnaires. The respondents for this study were 26 youth entrepreneurship business units in CDM, in the Limpopo Province of South Africa. Data were analysed using descriptive statistics.

The findings reveal that youth businesses have shown negative performance in terms of the employment in the CDM, which results in employing fewer than five employees.

**Key terms:** entrepreneur, entrepreneurship, youth, small business, youth business performance, Capricorn District Municipality, An entrepreneurship development model, entrepreneurial orientation, supportive and cooperative environments.

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# **CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY**

## **1.1 INTRODUCTION**

In this chapter, the context, purpose, objectives and rationale of this study are discussed. In addition, the important concepts pertaining to the study are defined and clarified. The operational definitions used and an outline of how this dissertation is structured are also presented.

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

Youth entrepreneurship is seen as an important tool to improve the low rate of enterprise creation and jobs for youth globally (Turton & Herrington, 2012). The Global Entrepreneurship Monitor (GEM) (Von Broembsen, Wood & Herrington, 2005) datasets provide figures on nascent, new and established entrepreneurs' expectations with regards to employment creation by age (18-24 years). These datasets show that young people between the ages of 18-24 years who are starting up businesses intend to create more employment opportunities than do other age groups, in middle to low-income countries (Simpson & Christensen, 2009:5). Furthermore, Simpson and Christensen (2009:5-6) report that more than half of the high-expectation new entrepreneurs (those who aim to create at least 20 new jobs in the next five years) are under 34 years old. It is high-potential entrepreneurs, who are focused on growing their businesses, who are responsible for growth and employment creation in the economy (Du Toit, Erasmus & Strydom, 2012:44; Strydom, 2012:1).

As the business environment changes rapidly (Strydom, 2012:20), youth entrepreneurs are required to operate enterprises on par with global enterprises. Turton and Herrington (2012:9) report that South Africa's early-stage entrepreneurial activity rate for its youth is 7 percent, the lowest of the 10 sub-Saharan African countries, and far below the ten-country average of 29 percent. Herrington, Kew, Simrie and Turton (2011:22-23) pointed out that, in 2010, people between the age of 25-34 participating in Total Entrepreneurial Activity (TEA) declined by 12 percent while those in the 35-44 years age groups increased by 8 percent. Entrepreneurial levels of people aged between 18 and 34 have declined significantly, by 16 percent in 2010 and 2011 (Naidoo, 2012). Herrington *et al.* (2011:23) concluded that the drastic decline in TEA for the 25-34 year cohort could be partly attributed to the fact that fewer individuals in this group have sought entrepreneurial opportunities following the 2010 FIFA World Cup and have instead entered formal employment. In South Africa, 33 percent of

small and medium enterprises (SMEs) are owned by youth (under 35 years of age), whereas age groups older than 35 years own 67 percent of SMEs (FinScope, 2010:20). According to Turton and Herrington (2012:73), the youth's business discontinuance rate (going out of business) is at 4 percent, which is higher than the established business rate of 1 percent. Maas and Herrington (2007:20) report that Limpopo's youth TEA is 11.1 percent, which is the third lowest of the nine provinces. Fatoki (2014b:104) found that there is low business growth in the CDM.

The South African government and youth entrepreneurship initiatives have failed to live up to expectations (Small Business Project (SBP) 2009). The Umsobomvu Youth Fund (UYF) was established in 2001 to promote entrepreneurship, job creation and skills development among youth while the National Youth Policy Framework (NYPF) was launched in 2002 and later criticised for under-delivering while the numbers of unemployed young people continued to grow (SBP, 2009). The National Youth Development Agency (NYDA) has introduced new policy and institutional frameworks, but the scope of the problem is vast and the government cannot tackle it alone (SBP, 2009). The NYDA has been established through an Act of Parliament (Act 54 of 2008) and formed through a merger of the National Youth Council (NYC) and UYF. The NYDA derives its mandate from the legislative frameworks, including the NYDA Act (NYDAA) (54 of 2008), the National Youth Policy (NYP) (2009, 2014) and the draft Integrated Youth Development Strategy as adopted by the Youth Convention of 2006. From these reports, there is an overarching theme that delineates the role of NYDA to initiate, implement, facilitate and monitor youth development interventions aimed at reducing youth unemployment and promoting social cohesion (NYDA, 2010-2013:6).

Limpopo Economic Development Agency (LEDA) is established in terms of the Limpopo Development Corporation Act, Act No.5 of 1994, as amended, and complies with the Public Finance Management Act (PFMA) as a Schedule 3D agency (LEDA, 2013/14:10). It has been established as a special purpose vehicle, culminating in the amalgamation of four historical agencies, namely: Trade and Investment Limpopo, the Limpopo Business Support Agency, the Limpopo Agribusiness Development Corporation, and the Limpopo Economic Development Enterprise (LEDA, 2013/14:10).

Enterprise Development and Finance is one of divisions of LEDA which comprises three departments, namely, Finance Support, Business Support, and Training and Development. The division's main responsibility is to accelerate the development and sustainability of Small and Medium Enterprises (SMMEs) and cooperatives by ensuring that they create sustainable job opportunities in Limpopo (LEDA, 2013/14:20). The division provides an array

of enterprise support programmes, namely, SMME and Cooperative Focus, Mentoring and Coaching, Incubation Services, Cooperative Grant Funding, and Technical and Business Training (LEDA, 2013/14:20).

The CDM is in the centre of the Limpopo Province, sharing its borders with four districts municipalities, namely, Mopani (east), Sekhukhune (south), Vhembe (north) and Waterberg (west). The district is at the core of economic development in Limpopo Province and includes the capital of the province, the City of Polokwane. One national and various major provincial roads pass through the district municipal area. These include the N1-National Road from Gauteng to Zimbabwe and the rest of Africa, the P33/1 (R37) from Polokwane to Burgersfort/Lydenburg from Polokwane to Tzaneen and Phalaborwa (CDM, 2013/2014:29).

As a municipality within Limpopo Province, the CDM has a number of development programmes to promote entrepreneurship across the district, such as business financing and advisory services. These tend to be less prevalent in the rural municipalities of the district where they are needed the most. Although the provincial and national governments have committed meaningful resources through Limpopo Economic Development Agency (LIMDEV), Limpopo Business Support Agency (LIBSA) and Small Enterprise Development Agency (SEDA) to help entrepreneurs, the impact of these institutions on the sustainability and growth of small business is yet to be independently evaluated in the CDM (CDM, n.d:37).

The CDM has a total population of 1.2-million people. The population has been growing at an annual average of 1.1 percent and recorded the second lowest local economic growth rate of 3.3 percent in 2010 (CDM, 2012-2013:54; CDM, n.d:45). The majority of the district population is younger than 15 years. The CDM covers an area that is 12 percent of the total surface area of the Limpopo Province, and has five local municipalities under its jurisdiction, namely, Aganang, Blouberg, Lepelle-Nkupi, Molemole, and Polokwane. Out of the 457 settlements that make up the CDM, approximately 30.53 percent are within Polokwane Municipality and 20 percent of the larger settlements with a population of 5000 and more are also located within Polokwane (CDM, 2012-2013:54; CDM, n.d:45). Moreover, the CDM is characterised by a large number of small villages with fewer than a 1000 inhabitants spread across five local municipalities (CDM, 2012-2013:54; CDM, n.d:45).

The youth unemployment rate in South Africa is 48 percent (Turton & Herrington, 2012:58). Statistics South Africa's (2013) quarterly labour force survey reported that approximately 3.5 million (33.5 percent) of the 10.4 million youth aged 15-24 years were not in employment in Q1:2013. In Q1:2013, North West had the highest rate (39.4%) among those aged 15-24

years, followed by Mpumalanga (36.7%), while the lowest rate was in Limpopo (30.5%) (Statistics South Africa, 2013).

In 2010, CDM recorded an unemployment rate of 22.3 percent. At the same time, CDM has an unemployment rate that is lower than that of South Africa (24.7 percent), but higher than that of Limpopo (22.0 percent) (CDM, 2012-2013:58). In Aganang, 65 percent of young people are unemployed, 47 percent in Blouberg, 62 percent in Lepelle-Nkumbi, 52 percent in Molemole and 42 percent in Polokwane (Senyatsi, 2014). The youth entrepreneurship is one of the solutions to reducing youth unemployment (Turton & Herrington, 2012:58). Several studies have confirmed this (Xheneti, 2000:104; Nieman, Hough & Nieuwenhuizen, 2003:8-13; Von Broembsen *et al.*, 2005:30; Burke, 2006:45; Venter, Urban & Rwigema, 2008:34; Naidoo, 2012; Absa Bank, 2012:1; and Kew, Herrington, Litovsky & Gale, 2013:12). Simpson and Christensen (2009:1) argued that youth entrepreneurship becomes an essential strategy for integrating youth into labour markets, thereby addressing unemployment challenges.

In Lepelle-Nkumbi, 86 percent of businesses are single firms operating only within the municipal area. About 5 percent of local businesses have branches elsewhere and only 9 percent are branches of businesses whose main business is outside Lepelle-Nkumbi. About 51 percent of businesses employ only the owner, 40 percent employ fewer than five people and 1 percent of businesses employ more than 20 people. There are 25 431 SMMEs in the Polokwane Municipality, of which 92.6 percent are informal (not registered), and 7.4 percent are formal (CDM, n.d:32). There is little or no evidence of formal businesses in the other municipalities (CDM, n.d:33).

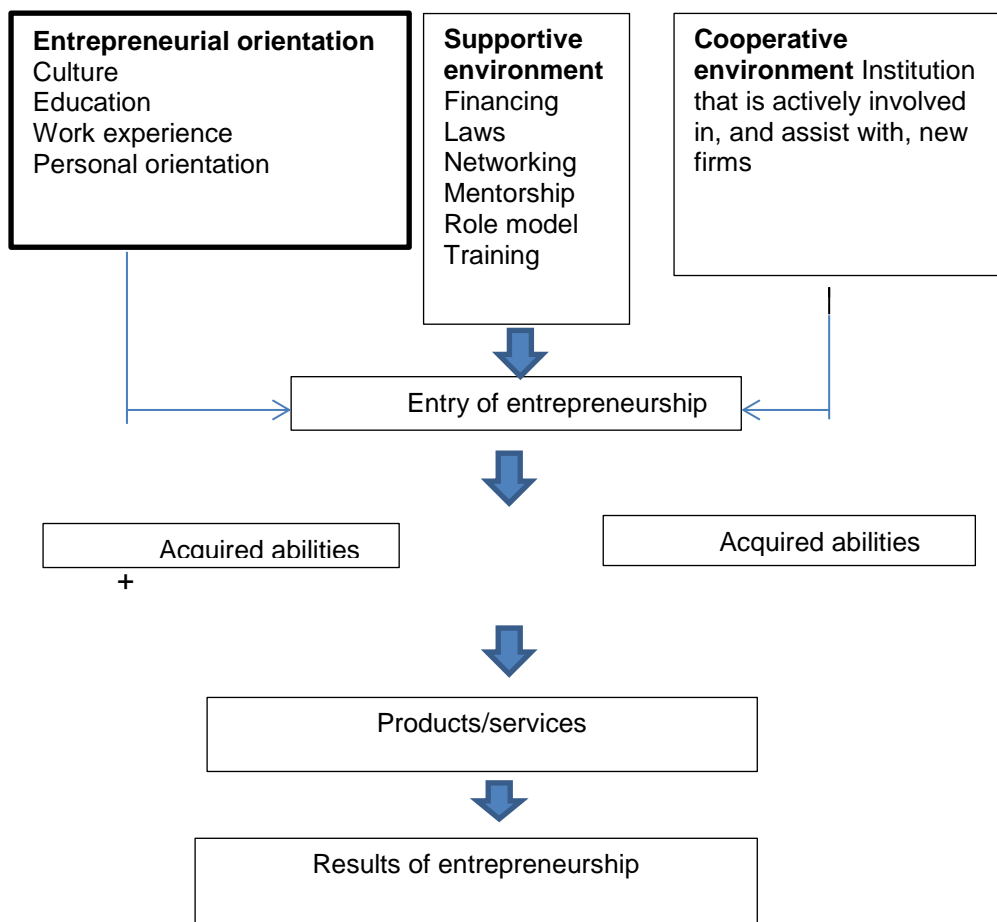
Dynamic businesses are responsible for a significant share of new sustainable jobs created, and contribute to the diversification of the industrial structure and to the enlargement of the small business sector. However, the existence of several constraints limits the impact of young dynamic entrepreneurs. An environment that is more conducive to entrepreneurship would foster the creation of a broader group of dynamic young business people and their ventures would perform even better (Llisterri, Kantis, Angelelli & Tejerina, 2006:16).

The field of entrepreneurship is a developing area of research, with youth entrepreneurship in an even earlier stage of development. Much of the research literature focuses on high-income or middle-income countries, and not on developing economies. Thus, research on youth entrepreneurship in developing countries is limited and not disaggregated by age. However, youth entrepreneurs who chose to become entrepreneurs create dynamic and

high growth enterprises that create employment for others (Simpson & Christensen, 2009:5; Ellis & Williams, 2011:10).

Factors that affect the discontinuation of youth businesses include entrepreneurial orientation which is fostered by a unique blend of factors, such as culture, family and role models, education, and work experience (Schoof, 2006:23; Ellis & Williams, 2011:14; Turton & Herrington, 2012:78; Kew *et al.*, 2013:12). Entrepreneurial orientation is critical to the survival and growth of firms, as well as the economic prosperity of nations. Entrepreneurial orientation is crucial for the process of entrepreneurial development at the societal level of countries (Nieman & Nieuwenhuizen, 2014:11). The focus of this research is on the entrepreneurial orientation or development. An entrepreneurship model as suggested by Nieman and Nieuwenhuizen (2014:11) was adapted as depicted in Figure 1.1. A model for entrepreneurial development in different countries attempts to demonstrate in their relative context the external variables that affect entrepreneurship in any given country. Therefore, such a model must evaluate the influence of the business environment (Maasdorp & Van Vuuren, 1998 in Nieman & Nieuwenhuizen, 2014:11).

**Figure 1.1: The adapted entrepreneurship development model**



- Economic growth occurs
- Incomes increase
- Living standards improve
- Investment opportunities
- Tax base is enlarged by a greater number of new firms
- Technological development occurs
- Job opportunities arise for youth
- Increase youth participation into economic main-stream

Source: Adapted from Nieman and Nieuwenhuizen (2014:12)

The entrepreneurship development model comprises three components, namely, the entrepreneurial orientation, supportive environment, and cooperative environment. These components of the entrepreneurship development model will be discussed in the next section.

The entrepreneurial development model addresses the following areas:

(1) Entrepreneurial orientation

Sahay and Rai (2004:201) contended that a high level of education would enable entrepreneurs to exercise their entrepreneurial talent more efficiently and effectively. Entrepreneurship education is essential in assisting young people to develop entrepreneurial skills, attributes and behaviours as well as to develop business awareness to understand and realise entrepreneurship as a career option (Schoof, 2006:34). Fayolle and Klandt (2006:1-2) argued that entrepreneurship concepts are difficult to define, and that there seems to be no strong agreement on what entrepreneurship education is and how it could be taught. Fayolle and Klandt (2006:1) define entrepreneurship education in a wide sense as “any pedagogical programme or process of education for entrepreneurial attitudes and skills, which involves developing certain personal qualities”. However, entrepreneurship education is not only a means to create youth entrepreneurs but also to equip young people with entrepreneurial attitude and skills which will benefit them in other areas of life, their communities and society as a whole (Clemensson & Christensen, 2010:4).

Culture is defined as a set of attitudes, values, and beliefs operating within a particular community or environment that lead to both enterprising behaviour and aspiration towards self-employment (Gibb, 1988 in Schoof, 2006:24). In addition, the cultural differences between nations are increasingly understood as an essential determinant of a nation’s level

of economic and entrepreneurial development (Schoof, 2006:24). Clemenson and Christensen (2010:4) report that culture along with family values and norms have a strong influence on whether a young person decides to pursue an entrepreneurial career.

Lack of industry experience might prevent business owners from rendering focused and specific support in areas such as product development and marketing, which can result in a failure to understand and assist with practical problems (Martin, 2005:210). Work experience in the entrepreneurship area comprises generating sales, developing marketing avenues and tactics, obtaining external financing, and dealing with internal financial and general management issues (Radipere, 2012:75).

Krauss, Frese, Friedrich and Unger (2005:337) suggested that it is worthwhile investigating overall dimensions of entrepreneurial orientation rather than on a single dimension. In the same vein, Radipere's (2014b:151) study of the SMMEs owners in South Africa suggests that greater attention should be given to interdependent effects of dimensions than reliance solely on the main effects or two-way interactions. "The components of entrepreneurial orientation are intuitively interrelated, highly achievement-oriented individuals are more interested learning from errors in working autonomously, in being competitive, in approaching challenges innovatively and with personal initiative, and taking calculated risks" (Krauss *et al.*, 2005:322).

## (2) Supportive environment

Start-up grants aim to promote the establishment of new enterprises of students or young unemployed jobseekers by securing their livelihood during the time estimated for starting and stabilising their businesses (Schoof, 2006:46). Furthermore, Beck and Demircug-Kunt (2006:2941) report that access to finance is a significant aspect, and facilitates entry, exit and growth of firms. Fatoki and Garwe (2010) found out that the problem of access and availability of finance to entrepreneurs in South Africa was ranked second after lack of entrepreneurial and management competencies. . Moreover, Herrington *et al.* (2011:43) found that financial support ranked the top factor constraining entrepreneurship in South Africa.

Watson (2004:136) reported that entrepreneurship mentors play an active role in supporting South African entrepreneurs. Although arguably being one of the most beneficial support services that can be offered to youth entrepreneurs, the provision of mentoring programmes that match experienced entrepreneurs, business leaders and business professionals with youth entrepreneurs remains insufficient in many countries (Schoof, 2006:59). Lack of

business role models as well as mentors, who could be regarded as entrepreneurial leaders in communities, appears to have adverse effects on the establishment of an entrepreneurial culture or orientation (Maphalla, Nieuwenhuizen & Roberts, 2009). Mentorship takes many forms; it may be formal or informal; may be aimed at skills improvement or solution to management problems; and may be provided someone within or from outside business (Duggan, 2009:8).

Beeka and Remington (2011:160) report that the presence of role models boost youth entrepreneurs' confidence in their ability to start and run business ventures. The efficiency and effectiveness of sharing information with students on role models in the classroom have received much less attention. In addition, there is still little knowledge of what determines the use of specific entrepreneurial role models, as well as the precise function of such role models (Bosma, Hessels, Schutjens, Van Praag & Verheul, 2011:16).

Entrepreneurship training is aimed at leading to either employment in an existing enterprise, self-employment (in either the formal or informal economy) or further education (Wiseman, 2014:35-36). Maas and Herrington (2007:16) revealed that training does not sufficiently support entrepreneurial growth.

Networking is defined as an enterprise, or its employees and owners, linking with other individual or enterprises, sharing contacts and exchanging resources with those enterprises in a cost effective manner (Sawyer, McGee & Peterson in Leroy, 2012:5). Networking benefits young entrepreneurs, providing inspiration for those working on their own and helping to facilitate growth for their businesses (Kew *et al.*, 2013:41). In the research they conducted among 108 micro and survivalist enterprises in Durban, South Africa, Hutchinson and de Beer (2013:240) found that both formal and informal networking is not common among them.

### (3) Cooperative environment

Cooperative environment refers to available institutions that are actively involved in promoting entrepreneurship, such as universities and other educational institutions as well as large firms and non-governmental organisations (Nieman & Nieuwenhuizen, 2014:14). Despite SMME support agencies and institutions in Limpopo, CDM in particular, the level of illiteracy is very high, with 7.9 percent of entrepreneurs with no schooling and only 0.3 percent percent having attained masters and doctorates (CDM, 2013/2014:36).

The regulatory burden on small firms is a familiar theme among business analysts, who generally agree that small firms are more vulnerable to regulatory costs (in money or

efficiency) than their larger counterparts (SBP, 2011:28). The SBP (2011:28) argued that South Africa's regulatory environment is significantly more expensive than that of peer countries, and that this consumes valuable economic sources that might otherwise grow the economy. The government acknowledges the importance of moderating the regulatory burden, but its efforts have been halting and indecisive, leading some commentators to question whether it is serious about doing so (SBP, 2011:28).

The marketing or business environment is defined as all the factors or variables, both inside as well as outside the business organisation, which may influence the continued and successful existence of the business organisation. In other words, the business environment refers to the internal as well as the external factors that impact on the business organisation and that largely determine its success (Du Toit *et al.*, 2012:105). In addition, Gupta, Guha and Krishnaswami (2013:1) pointed out that the growth patterns of an enterprise are influenced by the internal and external environmental factors.

Maas and Herrington (2007:31) found that youth entrepreneurs operate their businesses from the streets or home. The general decline in infrastructure, namely, the quality of the electricity supply, poor road maintenance and high fuel costs, and low penetration of telephone lines is a constraint to businesses attempting to expand (Herrington, Kew & Kew, 2008: 34).

Crime is the most frequently expressed concern of entrepreneurs (Centre for Development and Enterprise (CDE), 2007:5). Crime refers to unlawful and blameworthy conduct for which punishment is prescribed (Joubert, 2010:44). Corruption is an insidious plague that has a wide range of corrosive effects on societies. It undermines democracy and the rule of law, leads to violations of human rights, distorts markets, erodes the quality of life and allows organised crime, terrorism and other threats to human security to flourish (United Nations Development Programme (UNDP, 2008:1).

### **1.3 PROBLEM STATEMENT**

The CDM has a total population of 1.2 million. The population has been growing at an annual average rate of 1.1 percent and recorded the second lowest local economic growth rate of 3.3 percent in 2010 (CDM, 2012-2013:54; CDM, n.d:45). The majority of the district population is younger than 15 years. The CDM covers an area that is 12 percent of the surface area of the Limpopo Province and has five local municipalities under its jurisdiction, namely, Aganang, Blouberg, Lepelle-Nkupi, Molemole, and Polokwane. Out of the 457 settlements that make up the CDM, 30.53 percent are within Polokwane Municipality and 20 percent of the larger settlements with a population of 5000 and more are also located within

Polokwane (CDM, 2012-2013:54; CDM, n.d:45). Moreover, the CDM is characterised by a large number of small villages with fewer than 1000 inhabitants spread across five local municipalities (CDM, 2012-2013:54; CDM, n.d:45).

In 2010, CDM recorded an unemployment rate of 22.3 percent. At the same time, CDM has an unemployment rate that is lower than that of South Africa (24.7%), but higher than that of Limpopo (22.0%) (CDM, 2012-2013:58). In Aganang, 65 percent of young people are unemployed, 47 percent in Blouberg, 62 percent in Lepelle-Nkumbi, 52 percent in Molemole and 42 percent in Polokwane (Senyatsi, 2014).

According to Turton and Herrington (2012:73), the youth's business discontinuance rate (going out of business) is at 4 percent, which is higher than the established business rate of 1 percent. Maas and Herrington (2007:20) reported that Limpopo youth's TEA is 11.1 percent, which is the third lowest of the nine provinces. Fatoki (2014b:104) found that there is low business growth in the CDM. Thus, the research problem is that no study has been done that focused on youth entrepreneurs in the CDM of Limpopo Province and as a result, factors influencing youth business performance are not known.

## **1.4 RESEARCH QUESTION**

What are the factors that influence the performance of youth-owned businesses in the CDM of Limpopo Province?

## **1.5 PURPOSE AND OBJECTIVES OF THE STUDY**

### **The purpose of the study**

The purpose of this study is to analyse the youth entrepreneurship business performance in the CDM.

### **The objectives of the study**

The research objectives of the study are:

- to determine if internal factors (work experience, culture and education) influence the performance of youth-owned businesses in the CDM.
- to investigate if external factors (role models and mentorship, networking) influence the performance of youth-owned businesses in the CDM.

- to assess whether government regulation, crime and corruption, marketing environment, business location and availability of start-up financing influence the performance of youth-owned businesses in the CDM.

## **1.6 RATIONAL OF THE RESEARCH**

The purpose of this study was to assist youth to understand better the specific constraints and needs of young people who are engaging in business and to develop recommendations that will effectively improve the entrepreneurial framework for the youth.

## **1.7 DEFINITION OF KEY CONCEPTS**

### **1.7.1 Entrepreneur**

The concept of an *entrepreneur* is multi-faceted and refers to a person who relentlessly focuses on an opportunity, either in a new or existing enterprise, in order to create value, while assuming both the risk and reward for his or her efforts (Moore, Petty, Palich & Longenecker, 2008:5). Furthermore, entrepreneurs are individuals, acting independently, or as part of an organisation, who see an entrepreneurial opportunity and then take risks to develop an innovation to pursue it (Ireland, Hoskisson & Hitt, 2009:371). An entrepreneur is a person who undertakes a wealth-creating and value-adding process, through developing ideas, assembling resources and making things happen (Strydom, 2012:1).

### **1.7.2 Entrepreneurship**

Entrepreneurship is the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market (Nieman *et al.*, 2003:9). Entrepreneurship is the recognition of an opportunity to create value, and the process of acting on this opportunity, whether it involves the formation of a new entity (Schoof, 2006:7). In addition, Mokaya, Namusonge and Sikalieh (2012:134) define entrepreneurship as “the individual motivation and willingness to take risk, create and sustain a growth-oriented and profit making enterprise”. Entrepreneurship is defined as “the process whereby individuals become aware of business ownership as an option or viable alternative, develop ideas for business, learn the process of becoming an entrepreneur and undertake the initiation and development of a business” (Stevenson, 1989 in Dzisi, 2014:4).

### **1.7.3 Youth**

*Youth* refers to young males and females aged from 14 to 35 years of age experiencing dramatic changes in their life circumstances as they move from childhood to adulthood (National Youth Commission (NYC), 1997:3).

#### **1.7.4 Small business**

In South Africa, the National Small Business Amendment Act (NSBAA) (No. 29 of 2004) defines a *small business* as "a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy".

### **1.8 LIMITATIONS**

The research had limited time to collect data because administering questionnaires with youth entrepreneurs can only be done during tea or lunch times.

#### **1.8.1 DELIMITATION**

The study was limited to youth entrepreneurs assisted by LEDA in CDM Limpopo Province.

### **1.9 LAYOUT OF THE CHAPTERS**

This study comprises the following chapters:

Chapter 1: Introduction

In this chapter an outline of the background to the study, problem statement, purpose and objectives of the study, rationale of the research, definition of key concepts, limitation and delimitation of the study are given.

Chapter 2: Literature review

In this chapter a comprehensive literature relating to the factors that hinder youth entrepreneurship, understanding youth entrepreneurship are provided.

Chapter 3: Methodology

In this chapter an explanation of the research methodology employed in this study is provided. It will focus on the research design, research methodology, research target groups, data collection techniques and ethical considerations.

Chapter 4: Analysis and interpretation of survey data

In this chapter, the findings of the study are discussed.

Chapter 5: Conclusion and recommendation

In this chapter conclusions and recommendations for further research are discussed.

### **1.10 CONCLUSION**

In this chapter, the context against which the study was conducted is highlighted. The problem statement, purpose and objectives of the study, rationale, definition of key concepts, limitation and delimitations were explained in detail.

In the next chapter the reader will be provided with the comprehensive of the literature for the study, understanding of youth entrepreneurship and problems that hinder youth entrepreneurship.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

In this chapter, literature dealing with the youth business performance is reviewed. The discussion reviews youth business performance by adapting Nieman and Nieuwenhuizen's (2014:12) entrepreneurship development model to explore internal factors (entrepreneurial orientation, such as education, culture, work experience and personal orientation as well as external factors (supportive environment and cooperative environment), such as mentorship, role model, networking, access to finance, government regulation, training and institutions that are actively involved in assisting new firms. Business environmental factors, such as business location, crime and corruption are also discussed. The business skills required and the measuring of small business performance are discussed.

### **2.2 DEFINITION OF ENTREPRENEURSHIP, YOUTH ENTREPRENEURSHIP AND SMALL BUSINESS**

According to Nieman *et al.* (2003:9), entrepreneurship can be regarded as the process that transforms an economic system through new ideas and products by individuals' responses to opportunities in the market. Furthermore, Schoof (2006:7) defines entrepreneurship as the recognition of an opportunity by an individual to create value in the economic market, and the process of acting on this opportunity, whether it involves forming a new business. In addition, entrepreneurship can be regarded as a mind-set that is focused on opportunity, holistic in approach and leadership balanced for value creation and market capture (Timmons & Spinelli, 2009:101). In the same vein, Mokaya *et al.* (2012:134) define entrepreneurship as "the individual motivation and willingness to take risk, create and sustain a growth-oriented and profit making enterprise".

This study adopts a definition of entrepreneurship along the lines proposed by Mokaya *et al.* (2012:134) as it includes the concept of sustainability of a growth-oriented and profit making enterprise.

### **2.2.1 CLASSIFICATION OF YOUTH ENTREPRENEURS**

In the study of stimulating youth entrepreneurs in Geneva, Schoof (2006:10) categorised youth entrepreneurs into the following three phases:

- Pre-entrepreneurs (in the age range of 15-19 years), which is the formative stage of entrepreneurship; these youths are often in transition from the security of the home or education to the workplace.
- Budding entrepreneurs (in the age range of 20-25 years), who are likely to have gained some experience, skills, and capital which enable them to run their own enterprises. They often face three enterprise pathways, namely, remaining stuck in marginal activities, going out of business, and running successful enterprises.
- Emergent entrepreneurs (in the age range of 26-29 years), are in the prime stage. With valuable experiences in business, emergent entrepreneurs have a higher level of maturity than members of the youth in the lower age groups. Hence, they are more likely to run more viable enterprises than are younger people.

### **2.2.2 SMALL BUSINESS**

SMEs are regarded as the backbone of Europe's economy: there are 23-million SMEs in Europe representing around 99 percent of businesses, and 57 percent of them are sole proprietorships (Lopriore, 2009:31). In addition, Lopriore (2009:32) found that performance of SMEs in Europe is affected mainly by structural difficulties, such as lack of skills and labour market rigidities, which affect the matching of demand and supply of labour, market failures in research, training and innovation, as well as a general lack of entrepreneurial spirit.

Omar, Arokiasamy and Ismail (2009:96) found that in 2003, there were 523 132 established SMEs in Malaysia, which accounted for 99.2 percent (518 996) of jobs. They found that the changes in the environment pose a challenge to the SMEs and limit their abilities to maintain their position against larger organisations (Omar, *et al.*, 2009:97).

The study conducted by FinScope (2010:7) in the South Africa small business survey revealed that during 2010, there were 5 579 767 small business owners in South Africa, owning 5 979 510 small businesses. These SMEs constitute 55 percent of jobs in South Africa (Van Scheers, 2011:5048). FinScope (2010:20) considered factors such as the profile of the businesses owners (that is, level of education, skills training, motivation and attitude towards the business, attitude towards money and money management); sources of information, advice and support; and obstacles to growth as essential for small business growth.

In Lepelle-Nkumpi of CDM of Limpopo Province, 86 percent of businesses are single firms operating only within the municipal area (CDM, n.d:32). About 5 percent of local businesses have branches elsewhere and only 9 percent are branches of businesses whose main business is outside Lepelle-Nkumpi. About 51 percent of businesses employ only the owner, 40 percent employ fewer than five people; and 1 percent employ more than 20 people (CDM, n.d:32). There are 25 431 SMMEs in the Polokwane municipality of which 92.6 percent are informal (not registered) and 7.4 percent are formal (CDM, n.d:32). However, there is little or no little evidence of formal business in the other municipalities (CDM, n.d:33).

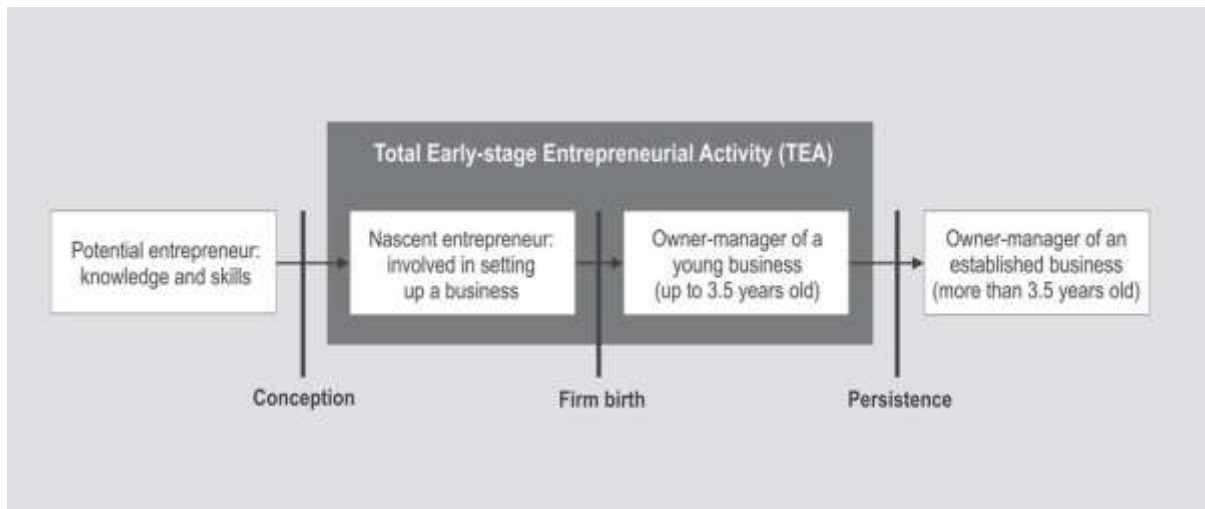
### **2.2.3 SMALL BUSINESS GROWTH**

Many youth entrepreneurs own small businesses in Limpopo. However, these businesses are not growing (Rachidi, 2014:263; Fatoki, 2014b:104). A high-growth enterprise is defined as an enterprise with average annualised growth greater than 20 percent per annum, over a three year period, and with 10 or more employees at the beginning of the observation period (Organisation for the Economic Cooperation and Development (OECD), 2012:86).

In a pro-growth small business, there is a balanced alignment of the owner-manager's intention, the abilities of the business and the opportunity environment. The intention is formed, drawing from the owner-manager's personal and demographic variables and internal value system (Morrison, Breen & Ali, 2003:423). In the same vein, the study conducted by Costin (2011:111) revealed that growth for the small business is dependent on the entrepreneurs' perception and intention for growth.

The understanding of the growth of the business depends on what the firm is, how much has it grown, what it provides to the market, what assets it controls and what is its legal form (Gupta *et al.*, 2013:1). Enterprise growth might be identified in four theoretical points of view: the resource-based perspective, the motivation perspective, the strategic adaptation perspective and the configuration perspective. Resource-based perspective focuses on the business' resources, such as expansion of business activities, financial resources, and educated staff. Resource-based theory holds that there are unlimited sources of opportunities in the market place. It is important to manage transactions by deploying the firms' resources to identify and exploit the next growth opportunity (Gupta *et al.*, 2013:2). Figure 2.1 presents a GEM classification of the stages in entrepreneurship.

**Figure 2.1: GEM classification of stages in entrepreneurship.**



Source: Maas and Herrington (2007:8)

Potential entrepreneurs are those individuals who believe that they possess the capabilities to start businesses and who would not be dissuaded from pursuing the idea of starting a business by fear of failing (Herrington *et al.*, 2011:10).

The nascent entrepreneurs are regarded as those who have been running a new business for the first three months, given the challenges associated with starting a business. The majority of fledgling businesses fail in the first few months; hence not all nascent entrepreneurs progress to the next stage. New business owners are classified as those former nascent entrepreneurs who have been in business for more than three months, but less than three and a half years (Herrington *et al.*, 2011:10).

The difference between nascent entrepreneurs and new business owners depends on the age of the business. Businesses that have paid salaries and wages for more than 3 months and less than 42 months may be regarded as a new. Both the prevalence of nascent entrepreneurs and new business owners may be perceived as a pointer of TEA in a country (Acs, Bosma & Sternberg, 2008:10). Owner-managers of an established business are business owners who have paid salaries and wages for more than 42 months. Their businesses have survived the liability of newness and indicate positive conditions for firm survival (Acs *et al.*, 2008:10).

Thus, Acs *et al.* (2008:10) in The Entrepreneurial Advantage of World Cities of 2008 explain the TEA:

- Conception. Entrepreneurial activity starts at the point when individuals commit resources to start a business they expect to own themselves (nascent entrepreneurs);
- Firm birth. This is the stage when individuals currently own and manage a new business that has paid salaries for more than 3 months but less than 42 months (new business owners); and
- Persistence. This is the stage when individuals own and manage an established business that has been in operation for more than 42 months (established business owners).

The study conducted by Herrington *et al.* (2011:4) in the South African GEM of 2011 revealed that South Africa's nascent entrepreneurship rate of 5.2 percent and new firm activity rate of 4.0 percent is very low in comparison to other countries in the same GEM category, with 2010's nascent entrepreneurship rate of 5.1 percent and new firm activity rate of 3.9 percent. In addition, Herrington *et al.* (2011:4) noted this as great concern, as was the same in 2010, where the prevalence rates for established business owner-managers remain extremely low, with South Africa showing a rate of 2.3 percent in 2011 versus 2.1 percent in 2010.

This study will focus on established youth-owned businesses at the persistence stage, in operation for more than 42 months. The next section discusses the entrepreneurship development model.

### **2.3 ENTREPRENEURSHIP DEVELOPMENT MODEL**

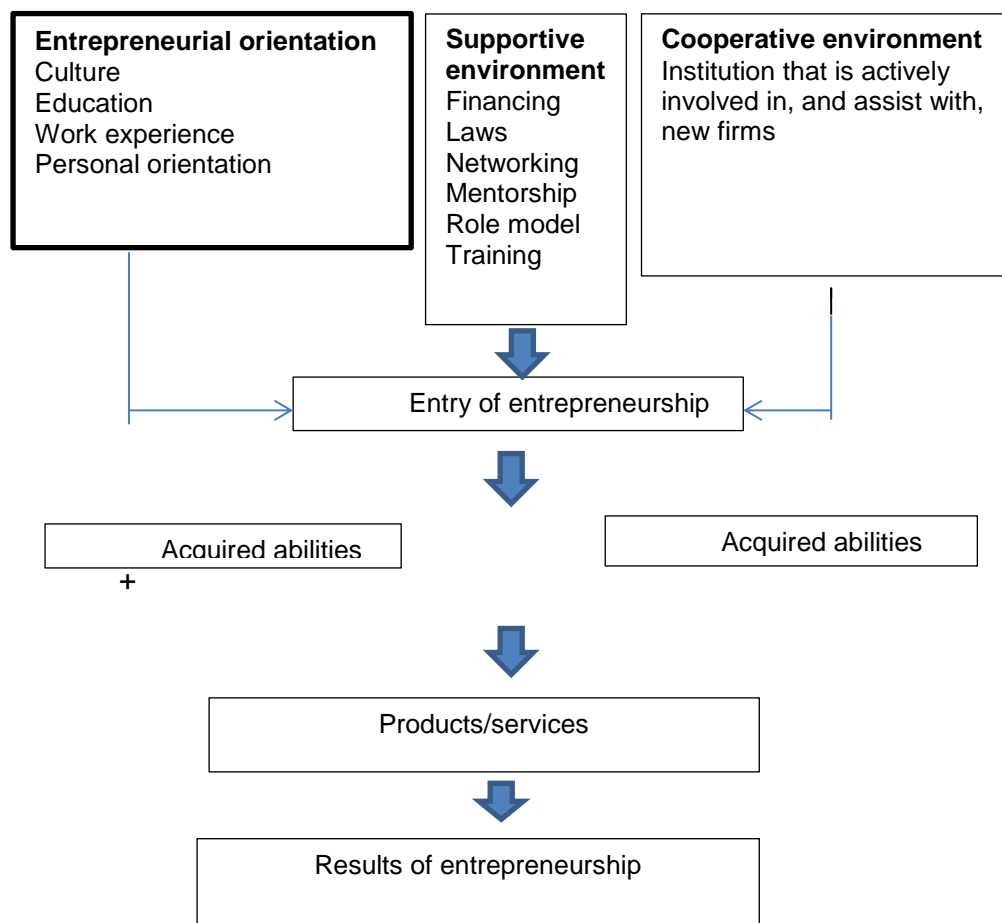
Dzisi (2014:15) studied youth business creation and development in Ghana. The study revealed that management experience, access to finance, administrative and regulatory framework, business assistance support, and social and cultural attitude can pose obstacles to operating businesses. In addition, Nieman and Nieuwenhuizen's (2014:11) entrepreneurship development model includes these and other factors as hindering entrepreneurs' growth and sustainability. They categorised the factors into two groups: internal factors (entrepreneurial orientation), namely, lack of education, lack of work experience, lack of culture, and lack of personal orientation, and external factors (supportive environment and cooperative environment), that is, lack of mentoring and financing, lack of training and development, lack of role model, bureaucracy from government that undermines entrepreneurs (laws), as well as networking).

Internal and external factors or environments can affect the performance of small business either positively or negatively. The environment of a business can be defined as the totality

of conditions, events, and influences that surround and affect the business and can be divided into external and internal components (Strydom, 2012:25; Gupta *et al.*, 2013:10). The internal factors of a business are controllable and comprise the business functions, such as human resource management, operations, marketing, financial management, and technical capabilities, as well as its strategy. As a result, small business owners need to pay close attention to the business opportunities and threats that have or are likely to have an effect on their business. However, enterprises are continually influenced by the external environment. External factors include elements that an enterprise cannot control, such as economic, socio-cultural, regulatory and legal, political, financial, trade, technological, demographical and geophysical factors. All these factors offer either opportunities or threats to the businesses (Gupta *et al.*, 2013:10). Some of these factors will be briefly discussed in the next section.

Thus, the entrepreneurship development model as suggested by Nieman and Nieuwenhuizen (2014:12) has been adapted as depicted in Figure 2.2. A model for entrepreneurial development in a country should aim to demonstrate, in their relative context, the external variant factors that affect entrepreneurship. Such a model should evaluate the influence of the business environment on entrepreneurship (Maasdorp & Van Vuuren, 1998 in Nieman & Nieuwenhuizen, 2014:11).

**Figure 2.2: The adapted entrepreneurship development model**



- Economic growth occurs
- Incomes increase
- Living standards improve
- Investment opportunities
- Tax base is enlarged by a greater number of new firms
- Technological development occurs
- Job opportunities arise for youth
- Increase youth participation into economic main-stream

Source: Adapted from Nieman and Nieuwenhuizen (2014:12)

The entrepreneurship development model comprises three components, namely, the entrepreneurial orientation, supportive environment, and cooperative environment. These components of entrepreneurship development model will be discussed in the next sections in detail. In Table 2.1, three entrepreneurship models are compared.

**Table 2.1: Comparison of three entrepreneurship models by Antonites (2003:41); Botha (2006:81); and Nieman and Nieuwenhuizen (2014:12).**

	<b>Antonites (2003:41)</b>	<b>Botha (2006:81)</b>	<b>Nieman and Nieuwenhuizen (2014:12)</b>
Results of entrepreneurship	Establishment of own business Completion of first transactions Growth in net value of business Recruitment of employees Increasing productivity levels Increasing profitability	Establishment of own business Growth in net value of business Recruitment of employees Increasing productivity levels Increasing profitability	Economic growth occurs Incomes increase Living standards improve Investment opportunities arise Tax base is enlarged by more new firms Technological development occurs Job opportunities arise
Supportive environment	Performance motivation	Motivation Mentorship Role models	Mentorship Finance Networks Laws Role model Training
Entrepreneurial orientation	Risk propensity Creativity and innovation Opportunity identification Role models	Risk propensity Creativity and innovation Opportunity identification Role model analysis (success factor) Networking Leadership Motivation Attitude of participant Social skills Start-up skills	Risk taking Creativity and innovation Proactiveness (taking initiatives, and pursuing and anticipating opportunities) Autonomy (independence) Competitive aggressiveness (achievement) Family and role models Education Culture Work experience
Abilities	General management skills Marketing skills Legal skills Operational skills Human resource management skills Communication skills Business plan	General management skills Marketing skills Legal skills Operational skills Human resource management skills Communication skills Financial management Cash flow management	Acquired abilities Inherent abilities
Cooperative environment		Previous experience of facilitator and participants Outcomes of the programme Needs analysis of participants	Encourage school and educational programmes
		Involvement of participant Learning approaches used	
		Elements Preparation Presentation Evaluation	

Source: Created by the author

The entrepreneurship models of Antonites (2003:41), Botha (2006:81), and Nieman and Nieuwenhuizen (2014:12) all seem to depict similar variables but classify them differently. These models might assist in understanding the challenges faced by youth entrepreneurs in rural districts, such as the CDM of Limpopo, where environmental factors favourable to the entry of entrepreneurs are required. Examples of these are infrastructure, a wide range of business development services strategies for survival, and growth of small businesses (Mbedzi, 2011:47). Refer to Table 2.8.

The next section discusses internal factors (entrepreneurial orientation), namely, education, culture, work experience and personal orientation) and external factors (supportive and cooperative environments), such as mentorship, role models, government regulation, access to finance, networking, and training, as well as some of business environmental factors: business location, crime and corruption.

## **2.4 INTERNAL FACTORS: ENTREPRENEURIAL ORIENTATION**

Entrepreneurial orientation is regarded as essential to the survival and growth of the business as well as entrepreneurial process, which is fostered by factors such as culture, family and role models, education, work experience and personal orientation (Nieman & Nieuwenhuizen, 2014:12). These factors are discussed in this section.

### **2.4.1 EDUCATION**

Fayolle and Klandt (2006:1) define "entrepreneurship education in a wide sense as any pedagogical programme or process of education for entrepreneurial attitudes and skills, which involves developing certain personal qualities". In addition, Turton and Herrington (2012:24) define entrepreneurship education as the quality of primary and secondary education, including the extent to which entrepreneurship is incorporated. Furthermore, entrepreneurship education is defined as "a life-long learning process and consists of five stages, namely, basics, competency awareness, creative applications, start-up, and growth" (Consortium for entrepreneurship education, 2004 in Isaacs, Visser, Friedrich & Brijlal, 2007:615). This study adopts the definition by (Consortium for entrepreneurship education, 2004 in Isaacs *et al.*, 2007:615) as it includes growth.

Isaacs *et al.* (2007:615) investigated entrepreneurship education and training at the Further Education and Training (FET) level in South Africa. The authors admitted that there is "general agreement by researchers in the field of entrepreneurship that more emphasis should be placed on entrepreneurship education and training as opposed to business

education. Business education has a more limited coverage than entrepreneurship education and training, which include additional topics, such as innovation and risk-taking". This implies that entrepreneurs would be developed with skills to grow their businesses.

In the European Union, presenting students to the world of business and transferring knowledge and entrepreneurial skills through formal and informal education is essential to creating responsible youth entrepreneurs, including social entrepreneurs. However, insufficient knowledge and education for youth entrepreneurship are obstacles to youth entrepreneurship (Rahmawati, Hasyati & Yusran, 2012:463-465) which would therefore impact on the growth of youth businesses negatively.

The study conducted by Dickson, Solomon and Weaver (2008:242) on the entrepreneurial selection and success in the United States of America (USA) revealed that there is a significant and positive relationship between the education level of the entrepreneur and various venture performance measures including profitability, growth and innovation.

The youth entrepreneurs lack adequate technical capacity in management in the Africa. This is mainly owing to low levels of education and lack of skills among a majority of the idling youth (Sulo, Chepng'eno, Chumo, Tuitoek & Lagat, 2012:337). Chimucheka (2013:162) studied the impact of entrepreneurship education on SMMEs owners in South Africa. The study revealed that entrepreneurship education was offered to SMME owners in the Buffalo City Metropolitan municipality by universities, colleges and government agencies. Chimucheka (2013:162) found that SMMEs operated by owners or managers with proper entrepreneurial skills can survive for longer than those who did not receive entrepreneurship education. Several studies confirmed this (Maas & Herrinton, 2007:12; Isaacs *et al.* 2007:613; Nieman & Nieuwenhuizen, 2014:12).

In a study conducted in South Africa, Ferreira (2007:252) found that 49 percent of respondents who were satisfied with their business success percent and had a three-year diploma/degree; 28 percent had a qualification of Grade 10 to 12; and 10 percent had a certificate. Mbedzi's (2011:25) study on the role of government agencies in promoting SMMEs in Limpopo found that individuals holding a tertiary qualification are more likely to own and manage a start-up business than those without Grade 12. In addition, Mbedzi (2011:25) found that holding a tertiary qualification significantly increases the probability that an individual will be an owner-manager of a business that has survived the start-up phase. In the same vein, in a study of SMEs in South Africa, Radipere and Dhlwayo (2014:108) found that the owner's higher qualification contributes to better business performance. Moreover, Turton and Herrington (2012:71) in the South African GEM report of 2012, found that the

number of employees in the business increases as entrepreneurial education of youth entrepreneurs increases.

In addition, Radipere and Dhliwayo (2014:109) found that there are differences among the different education levels of small business owners. These imply that small businesses owned by youth entrepreneurs with Grade 12 or less may not grow like small businesses owned by youth with a three year qualification and above. In Table 2.2, new firm activity rates among young people by highest education achievement are indicated.

**Table 2.2: New firm activity rates among youth by highest educational attainment**

Country	Not completed secondary schooling ( percent)	Completed secondary schooling ( percent)	Tertiary education ( percent)
South Africa	0.1	1.0	4.3
Argentina	2.3	6.6	7.9
Brazil	4.0	5.2	6.3
Chile	4.0	3.4	6.5
China	2.5	4.7	5.1
Uganda	7.4	12.9	12.0

Source: Herrington *et al.* (2008:46)

In the South Africa small business survey 2010, FinScope (2010:21) found that small business owners in Limpopo mostly achieved primary school level qualification. The Department of Trade and Industry (DTI) (2005-2007:80), in the annual review of small business in South Africa 2005-2007, found that 45 percent of small business owners in South Africa are in possession of a Grade 12 qualification, with only 9 percent having completed a university qualification. In addition, Maas and Herrington's (2007:16) in the South African GEM report of 2007 found that 6 percent of South African youth have a tertiary qualification. In addition, Turton and Herrington (2012:70-71) in South African GEM report of 2012 pointed out that education plays a large role in early-stage entrepreneurial activity in South Africa and, critically, for growth of businesses with the potential to create much-needed jobs. The more people that are equipped with entrepreneurial competences, the more businesses are established, and the more these businesses survive or succeed.

More education of youth entrepreneurs leads to better business performance. However, Herrington *et al.* (2008:46), in the South African GEM report of 2008, found there is low level of education in South African youth compared to other developing countries. Moreover, research showed that in Limpopo Province, many small businesses owners possess primary

school education (FinScope, 2010:21). In Table 2.3, the highest education level of the entire population by local municipality in the CDM of Limpopo are indicated.

**Table 2.3: The highest education level of entire population by local municipality**

Education level	Blouberg	Aganang	Molemole	Polokwane	Lepelle-Nkumpi	Total
Grade 12 and below	68.8	74.2	68.8	70.9	69.4	70.5
From NTC to include post higher diploma	2.1	2.8	3.8	7.5	4.6	5.4
Bachelors, including post graduate diploma	0.5	0.5	0.8	2.2	1.0	1.5
Honours degrees	0.2	0.2	0.3	0.8	0.5	0.6
Masters and PhD	0.1	0.1	0.1	0.4	0.1	0.3
Other	0.1	0.1	0.2	0.2	0.1	0.2
No schooling	14.6	8.5	11.4	4.5	10.2	7.9
Not applicable	13.7	13.6	14.6	13.4	14.1	13.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: CDM (2013/2014:37)

The table above does not clarify the level of education by ages. However, many of the entire population (70.5 percent) achieved grade 12 and below, which supports the study conducted by (FinScope, 2010:21), which is really huge percentage that might impact on the growth of small businesses in the CDM.

## 2.4.2 CULTURE

Culture refers to "the underlying system of values peculiar to a specific group or society, shapes the development of certain personality traits and motivates individuals in a society to engage in behaviours that may not be evident in other societies" (Mueller & Thomas, 2000:51). According to Schoof (2006:25), culture refers to the system of collective values that differentiates the member of one group from another. In addition, Turton and Herrington (2012:24) define culture and social norms as the extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities which might, in turn, lead to greater dispersion in personal wealth and income. This study defines culture along the lines of Turton and Herrington (2012:24) as the extent to which social and cultural norms encourage or lead to new ways of conducting small business to realise a growth.

Thornton, Ribeiro-Soriano and Urbano's (2011:5) study in Spain, grouped cultural differences across societies into four measurable dimensions:

Uncertainty avoidance represents preference for certainty and discomfort with unstructured or ambiguous situations. Individualism stands for a preference for acting in the interest of oneself and immediate family, as distinct from the dimension of collectivism, which stands for acting in the interest of large group in exchange for their loyalty and support. Power distance represents the acceptance of inequality in position and authority between people. Masculinity stands for a belief in materialism and decisiveness rather than service and intuition.

In a study of stimulating youth entrepreneurs in Geneva, Schoof (2006:24) pointed out that the interaction between culture and entrepreneurship is stronger in the case of some groups than others. The DTI (2005-2007:49) argued that entrepreneurship is not well-supported in the South African community and there is stigma of failure which constrains people from venturing into the sector or from taking calculated risks in furthering their businesses. In addition, Radipere (2014a:153), in the SME study in South Africa, said a person's cultural background may contribute to positive business performance and the dimension of power-distance and uncertainty avoidance influence the structure and function of the business and lead to different implicit modes in people's minds of what a business should be.

Urban (2006:3) found that cultural and social norms are emphasised as the major strength of entrepreneurial orientation and seem to be the differentiating factor for high levels of entrepreneurial activity in South Africa. Moreover, Radipere (2014a:153) found that predictors of business performance as "success is owning a business; success is being promoted up through the ranks in business; being successful means making more money; there is a duty to uphold the values and reputation of your family". Furthermore, respondents from Radipere's (2014a:153) study reported, in the words of one response, "I look at my own interest before considering other people"; "I believe in belonging to a group"; "men dominate in material success"; "I feel threatened by unknown situations; enforcing rules with respect to employees helps".

In conclusion, Radipere's (2012:204) study on small enterprise South African admitted that there is a significant relationship between the culture of the individual entrepreneur and the performance of the business. However, Limpopo has different cultures, such as Pedi, Tsonga and Venda (Ladzani & Netswera, 2009:3), which may be a differentiating factor for high levels of entrepreneurial activity (Urban, 2006:3) and may differentiate the member of one group from the other (Schoof, 2006:25).

### **2.4.3 WORK EXPERIENCE**

Work experience in the entrepreneurship area comprises having dealt with start-up problems, namely, generating sales, developing marketing avenues and tactics, obtaining external financing, and dealing with internal financial and general management issues (Venter *et al.*, 2008:45). In addition, work experience in a small business is regarded as stimulation of future entrepreneurial activity (Cowling, 2009:20). This study defines work experience as previous work experience in any similar small business of any size, which assists in growing one's own business.

Lee and Tsang (2001:383) studied entrepreneurs of small and medium sized firms in China. The study revealed that an entrepreneur's industry experience has the greatest effect on business growth. In a study among small businesses owners in the USA, Van Praag (2003:10) found that relevant experience helps to become a successful business owner (and to survive). In another study conducted in the USA, Segal, Borgia and Schoenfeld (2007:64) admitted that there is a significant positive relationship between experience and firm performance.

Swanepoel (2008:191) investigated successful entrepreneurial business and found that the 43 percent of the respondents had no managerial experience at all, while a further 26 percent of the respondents had been supervisors, close to a fifth (21 percent ) of the respondents had been middle managers and only 10 percent had management experience at senior management level. Nearly a quarter (24 percent) had started a business without any prior experience in a similar business. However, 76 percent of the respondents had previous experience in a similar business before starting their own business (Swanepoel, 2008:191).

Christian and Eslyn (2010:3) reported that lack of previous experience is a barrier to SMMEs in South Africa. In addition, Hutchinson and de Beer (2013:240) indicate that many South African SMMEs owners have no previous work and entrepreneurial experience. Moreover, lack of business management experience is another stumbling block which youth entrepreneurs are bound to face as they are still new in the business world, particularly if they have no experience in the business industry of their choice in the South Africa (Gwija, Eresia-Eke & Iwu, 2014:17). Fatoki (2014a:926) reported that owners of new SMEs lack management experience in South Africa. Therefore, the case is clear that work experience affects many young people of different countries.

#### **2.4.4 PERSONAL ENTREPRENEURIAL ORIENTATION**

Personal entrepreneurial orientation is based on a number of dimensions , such as creativity and innovation; autonomy; risk taking; proactiveness , and pursuing and anticipating opportunities and competitive aggressiveness, which is being achievement oriented (Nieman & Nieuwenhuizen, 2014:13).

##### **2.4.4.1 CREATIVITY**

Creativity is the generation of new and useable ideas to come up with solution to any problem or use any opportunity (Strydom, 2012:10). Adams (2005:4) argued that creativity arises through the confluence of the knowledge (an entrepreneur makes effort to understand relevant information on creativity); creative thinking (associates to how people approach problems and depends on personality and thinking/working style); and motivation (it is the key to creative production, and the most significant motivators are intrinsic passion and interest in the work itself).

##### **2.4.4.2 INNOVATION**

Innovation is the process of bringing the best ideas into reality, which triggers a creative idea, which generates a series of innovative events and includes elements, namely, challenge, customer focus, creativity, communication, collaboration, completion, contemplation, culture, and context (Fonacier & Mueller, 2007). Innovation is the primary tool entrepreneurs utilise to create or exploit opportunities (Burns, 2011:39). Product innovation and process innovation influence performance of SMEs in the United Kingdom (UK) (Oke, Burke & Myers, 2007:740; Rosli & Sidek, 2013:1). In addition, Aktan and Bulut (2008:76) found that entrepreneurial orientation dimension, such as innovativeness, risk-taking, proactiveness and competitiveness in firms, have resulted in impressive business performance in Europe. Ling, Selvadurai and Hamid (2009:58) studied youth entrepreneurship in Malaysia and found that 65 percent of youth entrepreneurs indicated that they have a high and very high level of creativity and innovation while 15.4 percent indicated that they have a low and very low level of creativity and innovation and 19.6 percent have moderate level of creativity and innovation. Ling *et al.* (2009:66) argued that youth entrepreneurs showed perseverance and determination, and the ability to take calculated risks, initiatives and responsibility as well as goal-and opportunity-oriented.

##### **2.4.4.3 RISK TAKING**

Risk covers a multitude of areas, all of which aspiring and practicing entrepreneurs need to understand. In short, there are four critical risk areas, such as financial risk, career risk, family and social risk as well as psychic risk that may be identified. The development of the risk-taking propensity depends on the amount of information available to the entrepreneur.

The more information available, the higher the risk-taking propensity of the individual seems to be (Van Vuuren & Nieman, 2007).

In their study of entrepreneurship in USA, Vereshchagina and Hopenhayn (2009:1825) reported that entrepreneurship is risky. Kreiser, Marino, Kuratko and Weaver's (2013:286) study of SMEs in nine countries, namely, Australia, Finland, Greece, Indonesia, Mexico, the Netherlands, Norway, and Sweden found that there are positive relationships between innovativeness-performance and proactiveness-performance, and a negative relationship between risk taking and performance.

Pines, Dvir and Sadeh (2012:109) found that in Middle East Africa risk taking is a significant personality characteristic of entrepreneurs, especially in the high-tech industry where ventures are often characterised by high novelty and technological uncertainty. Christian and Eslyn (2010:03) found that risk-taking and innovation are barriers to SMMEs in South Africa. Alarape (2013:553) argued that risk-taking is the main contributor to SMEs' performance in Nigeria.

#### **2.4.4.4 OPPORTUNITY RECOGNITION VERSUS SURVIVAL**

In Asia, Riquelme and Mahmoud (2012) identified six important predictors of opportunity recognition for entrepreneurs in Asia, such as schemas, self-efficacy, strong-ties, weak-ties, market dynamism and market munificence. Furthermore, Wang, Ellinger and Wu (2013:254) argued that antecedents of opportunity recognition are self-efficacy, prior knowledge, social networkism, and perception about industrial environmental opportunities.

Opportunities are attractive, lasting and timely and relate to a product or service that creates or adds value for its buyer or user. In this regard, these four practical guidelines (attractive, lasting and timely, and relate to a product/service) may assist to develop entrepreneurial opportunity identification (Van Vuuren & Nieman, 2007). The identification of opportunities on a continuous basis within the life cycle of the business is a differentiating characteristic of the true entrepreneur (Botha, 2006:69). It seems that many young people venture into small businesses as they have observed an opportunity (Maas & Herrington, 2007:31; Herrington *et al.*, 2011:16). Moreover, Herrington *et al.* (2011:23), in the South African GEM report of 2011, revealed that there was decline of TEA after 2010 FIFA World Cup and argue that this could partly be attributed to the fact that fewer of youth have sought out entrepreneurial opportunities. However, in Limpopo many of the youth did not start their businesses because of seeing opportunities, as they were not employed and needed to survive (Rachidi, 2014:1263). In contrast, Sehlapelo's (2012:89) study on young entrepreneurs in Limpopo

revealed that 70.7 percent of young people are involved in businesses due to a need that existed in their areas. Therefore, there is contradiction of research findings in Limpopo.

#### **2.4.4.5 COMPETITIVE AGGRESSIVENESS**

Competitive aggressiveness refers to the willingness to enjoy competition and to strive for victory showed by entrepreneurial business owners (Krauss *et al.*, 2005:320). However, Krauss *et al.*'s (2005:320) study among SMEs owners in South Africa found that a competitive aggressiveness is one of characteristics of successful entrepreneurial firms activity, which had not yet been studied from an individual-level perspective. In addition, Krauss *et al.*'s (2005:335) study on entrepreneurial orientation of small business owners in South Africa revealed that autonomy, competitive aggressiveness and innovation are not significant to business growth and number of employees.

The following paragraph is about entrepreneurial orientation:

Krauss *et al.* (2005:337) suggested that it is worthwhile investigating overall dimensions of entrepreneurial orientation rather than a single dimension. In the same vein, Radipere's (2014b:151) study of SMMEs owners in South Africa suggests that great attention should be given to interdependent effects of dimensions rather than a reliance solely on the main effects or two-way interactions. "The components of entrepreneurial orientation are intuitively interrelated, highly achievement-oriented individuals are more interested learning from errors in working autonomously, in being competitive, in approaching challenges innovatively and with personal initiative, and taking calculated risks" (Krauss *et al.*, 2005:322).

There are several studies on youth-owned businesses in Limpopo (Rachidi, 2014:263; Fatoki, 2014b:104). In order to understand the low growth of youth-owned businesses in CDM of Limpopo, personal entrepreneurial orientation dimensions, such as creativity and innovation; autonomy; risk taking; proactiveness taking initiative, and pursuing and anticipating opportunities and competitive aggressiveness, will be investigated together as a system.

Internal factors (entrepreneurial orientation) are essential to the survival and growth of small businesses (Nieman & Nieuwenhuizen, 2014:13). However, its variables, namely, education, culture, work experience and personal orientation may have an impact on youth entrepreneurs in CDM of Limpopo. Therefore, it is relevant to explore these variables against youth owning small businesses that are growing to those that are not growing in the CDM of Limpopo.

## **2.5 EXTERNAL FACTORS: SUPPORTIVE ENVIRONMENT AND COOPERATIVE ENVIRONMENT**

This section discusses external factors that affect youth-owned businesses , such as supportive and cooperative environments.

### **2.5.1 SUPPORTIVE ENVIRONMENT**

Supportive environment refers to an external environment favourable to the entry of entrepreneurs and includes; for instance, the infrastructure, a wide range of business development services, such as mentorship, training, role model, networking, laws (regulation), and financing (Nieman & Nieuwenhuizen, 2014:13). Orford, Herrington and Wood (2004) in Malebana (2012:231) define entrepreneurship support as the specific incentives, business development services and business-incubator programmes provided to entrepreneurs to start and grow their businesses. Business support is referred to as programmes that are offered to young entrepreneurs, such as: business viability studies, business management training programmes, branding and design, marketing and promotional material (printing), business operations services and systems, entrepreneurship and Black Economic Empowerment training and certification (NYDA, n.d:2-4).

#### **2.5.1.1 MENTORSHIP**

Business mentorship refers to an ongoing, long-term business counselling relationship between an experienced business advisor and a client throughout the various stages of a business venture's growth (Nieman & Nieuwenhuizen, 2014:214). Mentors are individuals to whom youth entrepreneurs can go for advice and counsel, people who are encouraging and wanting youth entrepreneurs to succeed and supporting their efforts (Petty, Palich, Hoy & Longenecker, 2012:27). This study adopts the definition by (Nieman & Nieuwenhuizen, 2014:214), as it includes growth.

Wren and Storey (2002:354) evaluated the effect of mentorship upon small firm performance in the USA. The authors found that the effect of assistance in small enterprises is negative and insignificant, whether they are considered by turnover or employment. This may be related to the difficulty of these firms in implementing the consultant or mentor's recommendations. With regard to medium-sized enterprises, Wren and Storey (2002:354) found that assistance has a significant positive effect on the survival of medium-sized business. The effect of the assistance on the survival of medium-sized firms is evaluated and virtually identical between the turnover and employment size groups.

With regard to large medium-sized enterprises, Wren and Storey (2002:354) found that the effect of assistance on the survival of large SMEs is negative, and significantly so in the case

of employment, but there is no significant difference over time. The benefits of the assistance for these firms is likely to be very small, but since they are willing to commit resources to obtain assistance it suggests that the opportunity cost of their time and effort is also small.

Robson and Bennett (2000:204) found that there is significant relationship between external business advice and SME performance, in a study of SMEs in the Netherlands. Though arguably being one of the most beneficial support services that can be offered to youth entrepreneurs, the provision of mentoring programmes that match experienced entrepreneurs, business leaders, and business professionals with youth entrepreneurs remains insufficient in many countries (Schoof, 2006:59)

Watson (2004:136) reported that entrepreneurship mentors play an active role in supporting South African entrepreneurs. Swanepoel (2008:291) suggested that a mentor needs to be more of a business analyst and strategist with the ability to identify areas that need crucial attention in order to grow the business.

However, lack of mentors, who could be regarded as entrepreneurial leaders in communities, appears to have adverse effects on the establishment of an entrepreneurial orientation in South Africa (Maphalla, Nieuwenhuizen & Roberts, 2009), especially on small firms (Wren & Storey, 2002:354). Moreover, in Limpopo youth entrepreneurs lack confidence in themselves, implying that they may not be able to seek help even when they need it (Rachidi, 2014:1262). This study aimed to investigate mentorship against youth entrepreneurs who are growing small businesses to those not growing, considering that these youth entrepreneurs might be exposed to business advice in one way or other by an agency.

#### **2.5.1.2 TRAINING**

Entrepreneurship training is a form of training that is aimed at leading to employment in an existing enterprise, self-employment (in either the formal or informal economy), or further education (Wiseman, 2014:35-36). Training in entrepreneurship acts as a facilitator for entrepreneurial activities with the focus being to stimulate entrepreneurial activity and performance (Antonites, 2003:31). Ladzani and Van Vuuren (2002:157) studied SME service providers in the Northern Province (Limpopo) and pointed out that entrepreneurship training need to be seen as one of the basic requirement of starting and running a business. Maas and Herrington (2007:26), in the South African GEM report of 2007, report that training efforts need to focus on inculcating an entrepreneurial mind-set and providing the youth with the right knowledge and skills.

Kessy and Temu (2010:103-109) studied the impact of training on performance of micro and small enterprises in Tanzania. In their study, 43.1 percent of the enterprises were owned by recipients of business training, while 56.9 percent were owned by individuals without business training and, of 225 respondents, 97 respondents received training while 128 had never received training. Furthermore, Kessy and Temu (2010:109) found that the enterprises owned by individuals who had received business-related training demonstrated higher growth than enterprises owned by individuals who had never received any kind of business training. They concluded that training is essential in facilitating the growth of enterprises.

Swanepoel's (2008:26) study revealed that 32 percent of the respondents indicated that their businesses had expanded substantially after they had received training in business skills, while a further 26 percent indicated that their businesses had expanded considerably. Although all the respondents had received training in business skills, 42 percent did not seem to grow their businesses despite the training.

Training is essential in facilitating the growth of enterprises (Kessy & Temu, 2010:109), and positively influences business performance (Musee, 2013:37). However, Ladzani and Van Vuuren (2002:156) found that the rest of the service providers either have very little or no entrepreneurial training among the services they provide to SMEs. In addition, Ladzani and Van Vuuren (2002:156) pointed out that the emphasis of training was more on business skills training, , such as general management, financial management, marketing management, production management, pricing calculations, costing and legal skills, than on the other categories of skills.

Moreover, Maas and Herrington (2007:16) revealed that training does not sufficiently support entrepreneurial growth. Despite that, Odhiambo's (2013:7) study on the micro, small and medium enterprise in Kenya revealed that 90 percent of young entrepreneurs needed training to improve their business performance. Rogerson (2004:773) pointed out that in South Africa, the use of SMME support programmes varies from sector to sector, meaning that the existence of support programmes may respond better to the needs of certain sectors than others.

In this it follows that there is existence of contradictory findings with regard to the effect of SMME programmes for training (Rogerson, 2004:773), on achieving business growth. In Table 2.4, entrepreneurship training programmes in South Africa are discussed.

**Table 2.4: Selected South African youth entrepreneurship training programmes**

<b>Programme name</b>	<b>Training institution or organisation</b>	<b>Content and duration</b>	<b>Outcome for learner/delegate</b>	<b>Target market/delegates /participants</b>	<b>Reference or website accessed</b>
Business Box	Entrepreneurs on the Move	Used in schools to provide theoretical knowledge and practical entrepreneurial skills	Resulting in the start-up of a business and culminating in the eventual employment of people	School teachers and pupils	<a href="http://www.netventures.co.za">www.netventures.co.za</a>
Business Ventures	South African Institute of Entrepreneurship (SAIE)	Learning materials for each grade at schools. These materials comply with all the Economic and Management Sciences (EMS) learning area (which includes entrepreneurship.) Duration-one year	Start own business	School Pupils (Grade 2-12)	<a href="http://www.entrepreneurship.co.za/products.asp">www.entrepreneurship.co.za/products.asp</a>
YES (Youth Enterprise Society)	Education with Enterprise Trust	Life skills, understanding the market economy, business ideas, evaluating the community, setting goals, market research, the business plan, business finance, human resources, business promotion, selling the product, business accounts, business records leading and managing business communications and entrepreneurship as a career	The medium to longer term aim is to establish a future entrepreneurial stratum, especially in regions of low income populations, which can then help create jobs, build community resources and thus help contribute to the overall national economy. Start own business Further education Secure formal sector employment	Programme for grade (Std. 7), grade 11 (Std. 9) pupils.	<a href="http://www.ewet.org.za/yes/yes.html">www.ewet.org.za/yes/yes.html</a>

Source: Botha (2006:94)

From Table 2.4, it follows that the entrepreneurship training programmes discussed above are not targeted at youth owning small businesses. However, these training programmes may be valuable to the youth entrepreneurs in the CDM since an overwhelming majority of entire population (70.5 percent) achieved Grade 12 and below (CDM, 2013/2014:37). The study of the education and training of entrepreneurs in Asia points out that the Entrepreneurship Development Institutes of India (EDII) campus, Dana (2001:407) invited youths for a ten-day period, during which they learn achievement, a concern for excellence, creativity, innovation, leadership, problem solving, and system planning.

### **2.5.1.3 FAMILY AND ROLE MODEL**

Chlosta, Patzelt, Klein and Dormann (2012:121) define entrepreneurial families as those with a heritage of entrepreneurship and business ownership. Role models are persons that by their attitudes, behaviours and actions establish the desirability and credibility for an individual (Rahmawati *et al.*, 2012:465).

In the USA, the successful social or private, youth or adult entrepreneurs are probably the best ambassadors for promoting entrepreneurship among young people. By delivering an image of independence, success and achievement, they may motivate young people to consider and explore entrepreneurship and self-employment (Schoof, 2006:31). In Asia, clan associations and other ethnic networks became essential mediums through which entrepreneurial knowledge and skills were transferred from successful to budding entrepreneurs (Dana, 2001:406). Bosma *et al.* (2011:421) studied entrepreneurship and role models of owners of Dutch young businesses in Netherlands. The study revealed that 54 percent of the entrepreneurs have a role model in the pre- and post-start-up phase. Of these entrepreneurs, 81 percent have a role model before starting up their ventures and 63 percent have a role model within the first three years of the business' operations. Almost half of these entrepreneurs have a role model both pre- and post-start-up, with the majority leaning on the same role model in these two different stages. All these percentages are even higher for first ventures: 27 percent of respondents consist of experienced entrepreneurs who are less inclined to use role models. One fifth of the entrepreneurs claim they would not had continued their business without the role model they have post-start up.

The presence of role models facilitates the ability to run small businesses in Africa (Beeka & Rimmington, 2011:154) and to achieve success (Schindebutte, Morris & Brennan, 2003:105). Moreover, the children of self-employed parents are over-represented among firm owners (Rahmawati *et al.* 2012:465). This is because that young person with an entrepreneurial mother who perceives his or her role model as both positive and successful is likely to imitate that role model (Schindebutte *et al.* 2003:105) and be inspired in entrepreneurship (Hisrich, Peters & Shepherd, 2005 in Kanyari & Namusonge, 2013:11).

Maas and Herrington (2007:16) in the South African GEM report of 2007 revealed that entrepreneurial heroes and role models are not celebrated in South Africa. Similarly, Herrington *et al.* (2008:46) in the South African GEM report of 2008 found that entrepreneurship is not sufficiently reported on and celebrated in the public press. In addition, Herrington *et al.* (2008:46) pointed out that South Africa is hard on those legitimate businesses that failed.

Schoof's (2006:31) study on stimulating youth entrepreneurs in Geneva pointed out that successful social or private, young or older entrepreneurs are probably the best ambassadors for promoting entrepreneurship among young people. However, in Limpopo, many youth entrepreneurs started their own businesses without being involved in family businesses (Sehlapelo, 2012:89; Rachidi, 2014:1263). Moreover, only 1.8 percent of youth entrepreneurs read the Capricorn newspaper, which is the regional newspaper for CDM (Sehlapelo, 2012:99). Therefore, they were very concerned and concluded that youth entrepreneurs are not exposed to role models.

#### **2.5.1.4 NETWORKING**

Networking is defined as an enterprise, or its employees and owners linking with other individual or enterprises, sharing contacts and exchanging resources with those enterprises in a cost effective manner (Sawyer, McGee & Peterson, 2003 in Leroy, 2012:5). Networking is a useful tool to contribute to business success (Rahmawati *et al.*, 2012:463-465). The study conducted by De Klerk (2009:2-3) among small business owners in South Africa categorised networks into four, namely, personal networks (perceived as personal gain networks that provide care and links for sharing ideas); social networks (are viewed as networks in which similar interest are shared); referral networks (are a rapport of a person's belief and trust in other person); and business networks (which embody connections such as social, professionals and personal networks as well as technical networking that enable business transactions and the sharing of personal experiences).

De Klerk's (2010:37) study of business owners and managers in the Gauteng Province in South Africa found that networking is essential to business success. Moreover, Lee and Tsang (2001:383) conducted a study on venture growth among 168 Chinese entrepreneurs in small- and medium-sized businesses in Singapore. The study revealed that networking activities had a positive impact on venture growth. Other studies confirmed this (Terziovski, 2003:78; Watson, 2007:852; Urban, 2011:4).

Furthermore, Terziovski's (2003:91) study revealed that Australian SME managers that engaged in networking practice were more likely to achieve business excellence through the establishment of formal support systems and learning from mistakes, than those without these practices. Odhiambo's (2013:7) found that 76 percent of young entrepreneurs indicated that networking influenced their business performance in Kenya. The study conducted by Hashi and Krasniqi (2011:3) in six countries, including South Africa, found that businesses may improve their performances through networking activities.

Therefore, it may be deduced that lack of relevant networks in entrepreneurship is an obstacle to youth entrepreneurship (Rahmawati *et al.*, 2012:463-465), which impacts negatively on young people (Mahasha, 2013:1) in growing their business (Greene, 2013:11). Moreover, in their study of small- and medium-sized enterprise in Australia, Gronum, Verreynne and Kastle (2012) reported that connections between networks ties and firm performance are more complex. Furthermore, entrepreneurial networking is largely independent on group composition (that is, people with different cultures) in South Africa (Urban, 2011:1).

#### **2.5.1.5 GOVERNMENT REGULATIONS**

Regulation is defined as legislation that is designed to alter the way in which markets operate in the provincial or local context (Davies & Pillay, 2006 in Zwane, 2009:11). Furthermore, Turton and Herrington (2012:24) define regulation as the extent to which government policies, specifically aimed at entrepreneurship development, indeed encourage new and growing firms. This study adopts the definition by (Turton & Herrington, 2012:24) as it includes growth of firms. In Table 2.5, the main types of regulatory costs are discussed.

**Table 2.5: Main types of regulatory costs**

Type of regulatory cost	Examples of activities involved	Who pays?
Compliance costs	Understanding regulations with assistance from experts, providing compliance by submitting forms	Firms and (usually) their customers. Economy-wide knock-on effects
Administrative costs	Assessing submitted forms, undertaking inspections	Government, taxpayers. Economy-wide knock-on effects
Efficiency costs	Buying, installing and maintaining equipment required by regulations, making choices about production techniques, number of people employed, and which markets to compete in, based on regulatory impacts	Firms, their employees, suppliers and customers. Lack and foreign investors. Economy-wide knock-on effects
No-compliance costs	Staying small or informal as a means of avoiding regulatory oversight or remaining below regulatory thresholds. Incurring fines, having stock confiscated or destroyed, and having to pay bribes as a result of attempts to evade regulatory compliance	Entrepreneurs and businesses that find themselves on the wrong side of the law. Employees of firms which fail to meet minimum standards, for example, health and safety, labour protection. Government loses revenue and taxpayers face higher tax rates as a result of lost revenue. Economy-wide knock-on effects.

Source: SBP (2005:13)

Compliance costs include the value of time spent by business owners and staff on understanding the rules and applying them, plus payments for the expertise of professional advisors, such as consultants, lawyers and accountants (SBP, 2005:14). In addition, SBP (2014:2) found that small firms spend an average of eight working days a month dealing with red tape. Moreover, SBP (2014:2) estimated a R216 000 cost a year to comply with government regulation in South Africa.

Administrative costs: regulation results in further costs over and above compliance costs. The public sector has the expense of developing, imposing, and enforcing regulation. Regulation also results in costs for the economic system as a whole. These costs are referred to as efficiency costs (SBP, 2005:14).

Non-compliance costs: a particular heavy social and economic cost which is imposed in developing countries by the ways in which regulation excludes the smallest businesses from participating in the formal sector of the economy, and therefore from access to secure premises and stable sources of finance. Other costs include capital depreciation, transfer and psychological costs (SBP, 2005:15).

SBP (2014:2) found that frequent changes in the regulatory environment, the need to keep track of overlapping and sometimes conflicting regulatory requirements across multiple departments and levels of government, poor communication and access to information, and administrative inefficiencies in government departments and municipalities are critical challenges facing small businesses. Zwane (2009:11) found regulatory measures governing SMMEs in South Africa comprise: the Occupational Health and Safety Act number 85 of 1993, the Unemployment Insurance Contribution Fund Act number 4 of 2000, the Skills Development Levies Act number 9 of 1999, the Companies Act number 6 of 1973, Electronic Communications and Transactions Act number 25 of 2005, the Income Tax Act number 58 of 1968, the Small Business Development Policy of 1996, Growth, Employment and Redistribution (GEAR) strategy, Reconstruction and Development Programme (RDP) and the Financial Services Charter (FSC). In Table 2.6, the principal laws that affect business activities in South Africa are discussed.

**Table 2.6: The principal laws that affect business activities in South Africa**

**Cross-cutting regulatory requirements- South Africa**

The most important regulations that affect most businesses.

**General start-up: nine registration requirements, five different offices**

Reserve a company name

Register name and articles of association

Register for value added tax (VAT); pay as you earn (PAYE); income tax; skills levy, indicating the relevant Sector Education and Training Authority (SETA)

Register with Unemployment Insurance Fund (UIF); Regional Services Council (RSC)

Register as an employer for Workman's compensation

**People and workplace**

Labour Relations Act 66 of 1995

Occupational Health and Safety Act 85 of 1993

Compensation for Occupational Injuries and Diseases Act 130 of 1993

Basic Conditions of employment Act 75 of 1997

Employment Equity Act 75 of 1997

Skills Development Act 97 of 1998

Skills Development Levies Act 9 of 1999 Income tax

PAYE Secondary tax on companies

Capital gains tax (CGT) Provisional tax

VAT Regional Services Council (RSC) levy

**Miscellaneous**

Licence fees Stamp Duty Act

Price controls Competition Act

Promotion of Access to Information Act Customs and Excise

Trademarks, registered design, patents, merchandise marks, copyright

National Environmental Management Act

Tourism levies and requirements

Source: Darroll, 2004 in Swanepoel (2008:50)

Beck *et al.*'s (2005:161) study on data of 54 countries revealed that a predicted effect of the summary of legal regulation on annual firm growth was 2.8 percent for large firms, whereas it was 5.7 percent for medium firms and 8.5 percent for small firms. The results of this study show that large firms can adjust to the inefficiencies of the regulation. However, the same does not seem to be the case for small and medium enterprises, which end up paying for

legal inefficiencies to their disadvantage because poor enforcement of court decisions appears to contribute to large firm growth rates.

The administrative and regulatory burdens, such as business registration, the time it takes to register, the cost, number of steps or procedures, minimum capital requirements, as well as property rights have a disproportionately negative impact on youth owned businesses, which are more likely to remain informal as a result (Clemensson & Christensen, 2010:4-5). Furthermore, Hashi and Krasniqi (2011:5) study of SMEs in the UK found that taxes and the operation of the judiciary are barriers to business growth. This is because young entrepreneurs have less information on the relevant rules and regulations that they need to comply with and face a relatively higher compliance burden (United Nations, Swaziland, 2013:22-23). The study conducted by Khumalo and Mutobola (2014:1) revealed that taxes retard businesses owned by the youth in South Africa.

Many small businesses in CDM are informal (not registered) (CDM, n.d:33). In this study, it follows that administrative and regulatory burdens, namely, business registration, the time it takes to register, number of steps and minimum capital requirement are barriers (Clemenson & Christensen, 2010:4-5) which lead to many entrepreneurs in developing countries avoid business regulations by operating a business in the informal sector (Van Stel, Storey & Thurik, 2007:183).

#### **2.5.1.6 ACCESS TO FINANCE**

The DTI (2005-2007:48) defines access to finance as a factor that influences the capacity of SMMEs to survive and grow. Access to finance refers to the micro-loan which is regarded as the main driver for economic participation by young people in South Africa (NYDA, 2012-2013:17). In addition, Beck and Demirguc-Kunt (2006:2941) reported that access to finance is a significant aspect, and facilitates entry, exit, and growth of firms. This study adopts the definition of the DTI (2005-2007:48), based on the concepts of survival and growth.

The European Investment Bank and the European Commission have launched the Joint European Resources for Micro to Medium Enterprises initiative to use the European Regional Development Funds to enhance SME access to finance through financial instruments. Aid is delivered through revolving funds to support SMEs in their start-up, early stage and expansion through a range of instruments such as equity, debt, quasi-equity and technology transfer funds. The difference between these funds and grants is that the funds can be reinvested in the same geographical area, but in other SMEs after repayment by the initial beneficiary (Lopriore, 2009:34).

A study conducted by Chimucheka and Rungani (2011:5513) on the SMMEs in Buffalo City Municipality, South Africa revealed that 79 out of 109 SMMEs once applied for bank finance but only 8 (10 percent) managed to access it. Of 109 SMMEs, 30 (28 percent) never applied for bank finance. The majority (87.3 percent) of respondents indicated that inaccessibility of bank financing had a negative impact on growth of their firms. On the other hand, only 7.3 percent indicated that inaccessibility of financing never affected growth of their firms, while 6 percent claimed that access to financing positively impacted the growth of their businesses.

In addition, a study conducted by Ferreira (2007:244) on SMEs in South Africa revealed that, of the respondents who received funding, an overwhelming majority of 95 percent felt that their businesses were successful and only 5 percent felt that their businesses were unsuccessful. Furthermore, Swanepoel's (2008:271) study revealed that most of the respondents perceived that funding contributed to business growth (52 percent "extremely" and 24 percent "quite a bit").

Moreover, research conducted by Beck *et al.* (2005:157) on SMEs in 54 countries reveals that access to finance affect firms differently based on their size (the smallest firms are affected most and the largest ones the least). Similarly, research conducted by Clemensson and Christensen (2010:5) revealed that lack of access to affordable finances often perceived as one of the biggest impediments for youth entrepreneurship compared to older age groups. Several studies confirmed this outcome (Greene, 2005:10; Chigunta, 2006:23; FinScope, 2010:32; Okurut & Ama, 2013:306).

Likewise, a study conducted by Agwu (2014:104) on SMEs in Nigeria postulated that lack of collateral security is the reason SMMEs are not funded by banks, and that has retarded business growth and resulted in an inability to compete with bigger firms in the market; an inability to employ skilled labour; failure to register; poor quality goods or services; poor marketing and bad reputation or company images created. By the same token, Fatoki and Chindoga's (2011:7) study on youth entrepreneurship in South Africa pointed out that lack of business information and managerial competencies are also important reasons why finances are unavailable from commercial banks.

Chigunta (2006:23) reported that youth access to finance still remains the main challenge to youth entrepreneurship. Lack of suitable financing is one of the main obstacles to the success and sustainability of new entrepreneurial activities (Llisterri *et al.*, 2006:17). Several studies confirmed this outcome (Chimucheka, 2012:10393; Chimucheka & Rungani, 2013:17; Boateng, Boateng & Bampoe, 2014:466; Dzisi, 2014:15).

In the study conducted by Swanepoel (2008:233) in South Africa, all the respondents (small business owners) had received training but only the best business plans received funding. It was found that the mean profit of the respondents who received both funding and training was significant statistically greater than that of those who received only training. However, those who received funding also received mentoring for a six-month period. It may be the combined effect of funding and mentoring that contributed to their increase in profit.

Lastly, Mbugua, Mbugua, Wangoi, Ogada and Kariuki's (2013:290) study on small businesses in Kenya indicated that there is a significant relationship between the availability of finances and the growth of enterprises. Similarly, a study conducted by Otieno, Lumumba, Nyabwanga, Ojera and Alphonse (2011:8290) on youth micro-enterprises in Kenya found that the provision of micro-finance has a significant effect on the business performance.

In this study, it follows that lack of access to finance is a barrier to grow SMEs. However, in Table 2.7, access to finance to different SMMs in South Africa is discussed.

**Table 2.7: Funding for SMMEs of different sizes**

Business size	Size of loan required	Who to approach for funding
Micro	R800-R10 000	Small Enterprise Foundation (SEF)
	R350-R3 500	Khula Micro-credit Outlets (MCOs)
	R300-R10 000	Women's Development Businesses (WBD)
	R300-R10 000	South Africa Microfinance Apex Fund (SAMAF)
	R500-R10 000	Marang Financial Services
	R1000-R100 000	Red Door, Western Cape
Small/Medium	R15 000-R3-million	Blue Financial Services
		Business Partners Khula start-up
		Anglo-Khula Mining Fund
	R100 000-R2.5-million	Enablis-Khula Loan Fund
		Khula-Enablis SME Acceleration Fund
	R1000-R5-million	National Youth Development Agency
	Up to R5-million	Gauteng Enterprise Propeller (GEP)
	R250 000-R20-million	Business partners
	Variable	Absa, FNB, Standard, Nedcor, Capitec
	Minimum R5-million	Venture capitalists
Medium/Large	Maximum R20-million	NEF Imbewu Fund
	R5-million-R200-million	NEF Corporate Fund
	From R1-million	Industrial Development Corporation (IDC)

Source: Herrington *et al.* (2008:125)

From Table 2.7 above, it follows that businesses that may provide access to finance do exist (Rachidi, 2014:1262). However, the literature reviewed indicates that access to finance is the biggest impediment for youth entrepreneurship because support agencies are still not known to youth who are in business; most importantly, even those that are known are still not utilised (Rachidi, 2014:1262). In Table 2.8, Mbedzi (2011:47) provides a summary of evaluations of Limpopo SMME support.

**Table 2.8: Limpopo SMME support**

<b>Municipality</b>	<b>SMME support initiatives</b>
Polokwane	There is a comprehensive document, called SMME Development Strategy and Implementation Plan. The strategy consists of a number of initiatives that focus on various business sectors. For example, the Itsoseng Entrepreneurial Centre has an incubation programme to assist manufacturing SMMEs. The incubation period is three years. The first intake was done in 2004 with 46 incubatees. In August 2010, the number was reduced to 26. Some of the reasons given for the reduction are that some incubatees want to stand on their own; problems with rentals at the Centre; and that the business location of the Centre is not favourable.
Aganang	No clearly defined SMME support strategy
Ba-Phalaborwa	No clearly defined SMME support strategy. The municipality emphasises growing the economy on wildlife tourism.
Bela-Bela	The municipality's has a local economic development (LED) strategy, which emphasises entrepreneurial and business skills development.
Fetakgomo	The municipality's growth strategy speaks generally about development of the mining and tourism sector. The strategy is not clear on SMME development
Tubatse	The municipality's Economic and Land Development (ELD) plan is silent on any practical steps to support SMMEs.
Tzaneen	The municipality has a relationship with SEDA to provide necessary support to help SMMEs.
Lephalale	The municipality has established the Lephalale Development Company, whose task it is to promote economic development and entrepreneurial skills.
Lepelle-Nkumpi	The municipality's department of Economic Planning has the following as a key performance area: provide support to aspiring SMMEs through procurement policies and provide infrastructure.
Modimolle	The municipality's LED strategy speaks broadly about the need to support tourism and agriculture, but without specific reference to SMMEs.
Mogalakwena	The municipality's Local Economic Development and Tourism offices assist emerging entrepreneurs by linking them with Limpopo Business Support Agency (LIBSA).
Molemole	No clearly defined SMME support strategy.
Mutale	No clearly defined SMME support strategy.
Thulamela	The municipality's plans on SMME development are clearly spelled out.

Source: Mbedzi (2011:47)

Mbedzi (2011:47) evaluated SMME support in Limpopo Province. From the evaluation, it follows that, of 16 municipalities, only six have a clearly defined SMME support strategy and in CDM only one municipality has a clear SMME support strategy, namely, Lepelle-Nkumpi. It seems to be a challenge with regards to the SMME support in Limpopo Province, CDM in particular.

### **2.5.2 COOPERATIVE ENVIRONMENT**

Cooperative environment refers to available institutions that are actively involved in promoting entrepreneurship, such as universities and other educational institutions as well as large firms and non-governmental organisations (Nieman & Nieuwenhuizen, 2014:14). Clemensson and Christensen (2010:4) postulate that the lack of entrepreneurship education across formal and informal educational systems for youth already in business form constraints and barriers to youth entrepreneurship. In addition, Steenekamp, Van der Merwe and Athayde (2011:68) found that there is an undesirable shortfall in the South African education system in so far as entrepreneurial learning is concerned. Furthermore, Hutchinson and de Beer (2013:243) reported that limited education reduces the ability of business owners to make a decent living for themselves and their dependents and to combat their exposure to poverty. However, Fatoki and Oni's (2014:589) study on youth entrepreneurship in South Africa reports that entrepreneurship education is not effective in helping students to meet people with good business ideas or in preparing students on how to access finance.

In Table 2.9, the DTI (2005-2007:29-31), in the annual review of small business in South African review of 2005-2007, identified SMME support agencies and institutions in South Africa.

**Table 2.9: SMME support agencies and institutions in South Africa**

Agency	Descriptions
Small Enterprise Development Agency (SEDA)	SEDA was established in December 2004 through the enactment of the National Small Business Act of 1996, as amended. SEDA incorporated the Ntsika Enterprise Promotion Agency (Ntsika), the National Manufacturing Advice Centre Trust (NAMAC), the Community Public Private Partnership Programme (CPPP) and the Small Enterprise Human Development programme. The purpose of SEDA is to support the development of small business in South Africa, to ensure a coordinated approach to the design and implementation of development support programmes and to create a service delivery network for small businesses throughout South Africa. SEDA specifically targets cooperatives in rural areas. Within SEDA and part of the National Information Centre (NIC) is the Business Referral and Information Network (BRAIN), which seeks to improve the competitiveness and growth of small businesses in South Africa by providing relevant information.
South African Micro-Finance Apex Fund (SAMAF)	The SAMAF is an agency that uses a wholesale funding model that includes the provision of capacity building and skills development to selected financial services cooperatives, village banks, and microfinance institutions. The capacity- building ensures that specialised non-financial interventions are provided to funded institutions. This assists them on perform more effectively in servicing the enterprising poor with micro-loans. Asset capital for the poor is strengthened through savings mobilisation modes and the promotion of spending in social security products and activities (eg, education, home improvements, affordable investment products, and insurance products relevant to the needs of the poor).
Khula Enterprise Finance Limited	It was set up in 1996 to help with the financial constraints faced by SMMEs. It provides financial support to small- and medium-size businesses through banking institutions and intermediaries. The objectives of this institution included improving the outreach and efficiency of alternative financial institutions, increasing bank lending to SMMEs at rates not inflated by unreasonable risk perceptions, stimulating the number of small and medium-sized enterprises listed on the Johannesburg Stock Exchange (JSE). There are five components to its funding, namely funding for retail financial institutions (RFIs); a credit guarantee scheme; equity capital; and gearing capital for public and private sector-specific funds targeting small enterprises in specific sectors.
NYDA	The NYDA has been established through an act of parliament (Act 54 of, 2008), and formed through a merger of the National Youth Council (NYC) and UYF. The NYDA derives its mandate from the legislative frameworks, including the NYDA Act (NYDAA) (54 of, 2008), the National Youth Policy (NYP) (2009, 2014) and the draft Integrated Youth Development Strategy as adopted by the Youth Convention of 2006. From these documents there is an overarching theme that delineates the role of NYDA to initiate, implement, facilitate and monitor youth development interventions aimed to reduce youth unemployment and promoting social cohesion (NYDA, 2010-2013:6- 23).
National Empowerment Fund (NEF)	NEF was established to promote and support business ventures pioneered and run by historically disadvantaged persons. It helps such people to acquire shares or interest, directly or indirectly, in State-owned commercial enterprises that are being restructured, or in private enterprises. NEF finances new projects and expansions for a minimum of R250 000.
The Land Bank	It is a statutory body with a mandate from the government to support the development of the agricultural sector. The Land Bank is one of few agencies that has historically supported the agricultural cooperative sector, and provides a comprehensive range of retail and wholesale financial products and services designed to meet the needs of commercial and developing farmers and agriculture-related businesses.
Mafisa	Mafisa was established to contribute to the working poor's ability to run existing agricultural businesses, to start new ones and to be able to develop these businesses into fully commercial operations. Mafisa drives and facilitates the development of financial services, intended to contribute to developing very small and micro level farmers, farm workers, farm tenants, small landholders, landless emerging farmers, processors, micro-entrepreneurs and the working poor.

Source: DTI (2005-2007:29-31)

From Table 2.9, it follows that SMME support agencies are available and the study conducted by Rogerson (2004:773) on SMME programmes in South Africa found that more high-growth SMMEs are making use of government programmes than low-growth SMMEs. Moreover, in the Limpopo Province, the Limpopo Department of Economic Development and Tourism (LEDET) is responsible for the implementation of provincial SMME support policies. One of the pillars of their role is the coordination and integration of support services such as LIBSA; Limpopo Economic Development Enterprise (LimDev); Limpopo Tourism and Parks Board (LTP); and Trade and Investment Limpopo (TIL) (Mbedzi, 2011:36).

Furthermore, educational institutions are also available. Out of the total 11 public tertiary institutions in CDM, nine are in Polokwane whereas Aganang and Molemole have no public tertiary institutions. Major tertiary institutions in the district include the University of Limpopo, University of South Africa (UNISA), and Tshwane University of Technology (TUT). A number of smaller privately-operated colleges also exist in the district, but more so in Polokwane as well as FET colleges (CDM, n.d:37).

Despite SMME support agencies and institutions in Limpopo, CDM in particular, the level of illiteracy is very high, with 7.9 percent of entrepreneurs with no schooling and only 0.3 percent having attained masters and doctorates (CDM, 2013/2014:36).

There is a challenge of cooperative environment in CDM of Limpopo province.

### **2.6.1 DEMOGRAPHICS**

Demographic information of both small businesses and business owners comprise factors such as size, growth rate, age composition and sex compositions (Gupta *et al.*, 2013:10).

Fatoki (2014b:100) studied the factors that motivated student entrepreneurs in Limpopo to start business on the campus and the challenges they face in running their businesses. In this study, there were six student entrepreneurs, four females and two males. In this study, participant one employed only one person and participant five employed two people whereas other participants employed only the owner (Fatoki, 2014b:104).

It follows from this study that these student entrepreneurs are employing less than five employees.

Sehlapelo (2012) studied marketing skills of young entrepreneurs in Limpopo. In this study, there were 65 respondents (52.3 percent were females, whereas males accounted for only 47.7 percent). Sehlapelo (2012:83-84) found that many respondents belonged to the age category 30-35 years (63.1 percent), followed by those in the 24-29 age category (32.3

percent) and lastly the age category 18-23, (4.6 percent). The author concluded that the reason for a small percentage of 18-23 year olds may be attributed to the fact that many of them are still at school, while the reason for a high percentage in the age category 30-35 may be attributed to unemployment. In addition, Sehlapelo (2012:87) found that many young respondents are in catering, events and decorations (24.6 percent).

With regard to growth, Sehlapelo (2012:114) found that many young entrepreneurs do not invest in profitable business projects; for instance, promotion and market expansion but spend funds on personal things, ranging from clothes to cars. Moreover, Sehlapelo (2012:87) found that young entrepreneurs are not hardworking as they focus only on getting tenders to sustain their businesses.

It follows from both studies by Fatoki (2014b) and Sehlapelo (2012) that the number of males owning businesses are less than females owning businesses in Limpopo. These findings are different from study conducted by Maas and Herrington (2007:30) in the South African GEM of 2007 report, which found that more males are running many small businesses than females.

The study conducted by Koloba (2014:19) found that both males and females do not show differences with regards to the bringing of new ideas to small businesses, but differ in terms of number of businesses (that is 9.8 percent of youth males are running businesses than 8.6 percent of females youth (Maas & Herrington, 2007:30) as well as types of businesses (that is, many females are owning and running informal (not registered businesses), while majority of males own and run formal small businesses (the DTI, 2005-2007:72).

With regard to job creation, from Table 2.10 it follows that youth entrepreneurs (25 to 34 years of age) employ more people than those in the younger age cohort (18 to 24 years), a mean of 4.4 versus 2.4 employees per firm (Turton and Herrington, 2012:70).

**Table 2.10: Employment created by youth businesses in South Africa**

Number of employees excluding owner-managers themselves	Percentage of new businesses	
	18-24 year olds	25-34 year olds
No employees	9 percent*	25 percent
1-5 employees	82 percent	57 percent
6-19 employees	9 percent	14 percent
20+ employees	0 percent	4 percent
Total	100 percent	100 percent
Mean employees per firm**	2.4***	4.4

Source: Turton and Herrington (2012:70)

\* Read as: 9 percent of South African 18 to 24 year old entrepreneurs are currently employing no employees. \*\* This is an estimate based on the following assumptions regarding the mean number of jobs in each category: 1-5 employee firms have a mean of 2; 6-19 employee firms have a mean of 9; and 20+ employee firms have a mean of 50. \*\*\* Read as: a mean of 2.4 jobs are created by the 18-24 year cohort (Turton & Herrington, 2012:70).

From Table 2.10, it follows that when the age of young entrepreneur increases, the number of employees also increases. However, Ladzani and Netswera (2009:235) found that SMMEs in Limpopo are not really growing, considering that the success of SMMEs is measured in terms of the growth in number of employees and turnover. Moreover, Ladzani and Netswera (2009:230) study and Mbedzi's (2011:20) study noted that the total number of SMME population in Limpopo is not known.

## **2.6.2 LOCATION OF BUSINESS**

Location refers to the suitable place for the small business based on factors such as accessibility to the market; availability of raw materials; availability of labour and skills; infrastructure (for example, transport, water supply, electricity supply, existing business environment and climate (Nieman & Nieuwenhuizen, 2014:143). In addition, Turton and Herrington (2012:24) define location as ease of access at a price that does not discriminate against new, small or growing firms. This study defines business location along the lines of Nieman and Nieuwenhuizen (2014:143), as the suitable place, either urban or rural, where small business is operated.

Davidsson, Kirchboff, Hatemi-J and Gustavsson (2002:346) conducted an empirical analysis of business growth factors using Swedish data. The study revealed that the impact of location on business growth rates for region type six is negative compared to Stockholm.

Region type six is a grouping of many smaller communities in Sweden that share the characteristics of a mixed economic structure that is average for Sweden as a whole.

In addition, Davidsson *et al.* (2002:346) found that fast-growing businesses relocate more often than slower-growing businesses. With regard to fast-growing businesses, the Davidsson *et al.* (2002:346) study revealed that businesses outgrow the physical facility and must of necessity relocate to larger premises. Relocating a business may increase its growth rate, which is a definite possibility for retail businesses and other location-sensitive businesses such as banks. Chung, Chen and Hsieh (2007:393) reported that initial size of location positively affects a firm's propensity to launch a first expansion in Taiwan.

Orford *et al.* (2004:17), in the South African GEM report of 2004, found that urban businesses had an average monthly income of R1 500 000, nearly 2.5 times higher than the average monthly income of rural businesses. Moreover, Fatoki and Garwe (2010:732) found that the quality of infrastructure may affect the growth prospects of new SMEs especially in developing countries such as South Africa. In addition, Fatoki and Garwe (2010:732) found that South Africa does not meet demand for electric supply, leading to power cuts which may affect the growth of SMEs.

Many of small businesses in Limpopo are in the rural areas (Mbedzi, 2011:24), which might impact on a growth of small businesses (Davidsson *et al.*, 2002:346). Moreover, business location may affect many of young people to grow their businesses (FinScope, 2010:32), since they do not have access to land either by inheritance, hiring, and purchase (Sulo *et al.* 2012:337) and operating their businesses from home (Maas & Herrington, 2007:31).

### **2.6.3 CRIME AND CORRUPTION**

Business robbery increased marginally in South Africa. Quite often, over the past two years, different business groupings or associations, such as Business Against Crime (BAC), the Consumer Goods Council (CGC), and similar organisations have already indicated that business robberies are actually on the decrease by significant percentages (South African Police Service (SAPS), 2010/2011:16). However, it should be emphasised that this development only has bearing on members or associates of these business groupings, which are larger businesses, such as the larger supermarkets and shopping malls. The smaller, single-owner and emerging black businesses in the old Central Business District (CBD) areas, townships and even suburbs still remain vulnerable to this kind of crime, which may have an impact on one of the primary job creating sectors in South Africa (SAPS, 2010/2011:16).

Crime refers to unlawful and blameworthy conduct for which punishment is prescribed (Joubert, 2010:44). In addition, Strydom (2014:8), in the Global Economic Crime survey of 2014, said government-enforced crime categories include bribery and corruption, money laundering, and competition law infringements. This study defines crime along the lines of Strydom (2014:8) as corruption, robbery, and burglary which create considerable opportunity cost for small businesses owners to grow their businesses.

In the USA, Fisher and Looye (2000:45) found that crime directly affects one in eight small businesses in a one-year period, with burglary and vandalism the most commonly occurring crimes in the study among 400 small businesses of six Mid-western states. The study conducted by Radipere and Van Scheers (2005:408) on small business owners in South Africa revealed that two out of five businesses are affected by crime. Cant and Wiid's (2013:708-709) study of SMEs in South Africa found that crime is high in the country.

Young entrepreneurs in Soweto, South Africa, found (while trying to run their businesses) that the costs they incurred in the course of defending themselves against criminals and replacing stolen equipment, and the risks imposed by lawlessness, often prevented them from expanding or even continuing with their business ventures (CDE, 2007:5). In addition, FinScope (2010:32) found that the majority of youth-owned businesses identified crime as the main obstacle to growing their businesses. Furthermore, Mbonyane's (2006:38) study among small business owners in Kagiso, South Africa, reported that crime may be caused by an inside job because staff members might feel that they are not paid a sufficient wage. The study conducted by Strydom (2014:14), in the Global Economic Crime survey of 2014, revealed that crime is committed by internal parties in South Africa.

With regard to corruption, a study by Beck *et al.* (2005:162) revealed that small and medium-sized firms are negatively affected by corruption. The mean effects on firm growth are 1.6 percent, 4.1 percent and 7.5 percent for large, medium-sized, and small firms, respectively. Finally, Hashi and Krasniqi (2011:5) said corruption and the level of organised crime are barriers to business growth.

The study conducted by Hirsch (2008:53) found that various countries, such as Latin America, Europe, Asia, USA, and Jamaica demonstrated the negative impact of crime on small business development. Many countries seem to be affected by crime in a similar way. However, South Africa has 69 percent crime rate compared to 37 percent of global countries (Strydom, 2014:5). Moreover, SAPS (2013/14:28) in an analysis of the national crime statistics of 2013/14 found that business robbery in Limpopo increased by 12.4 percent. Many small businesses are affected by crime to grow their businesses, particularly in

township and informal settlements (Hirsch, 2008:54; SAPS, 2010/2011:16), such as that in Limpopo where many of small businesses are operating in the rural areas (Mbedzi, 2011:24).

## **2.7 BUSINESS SKILLS**

Skill is defined as an ability which can be developed and which is manifested in performance, not merely in potential; the ability to translate knowledge into practice (AlMadhoun & Analoui, 2002 in Kunene, 2008:17).

A particular danger exists in business' development, when owners lack the necessary skills to manage a small business, even though the entrepreneurs may have good ideas and be competent. This lack of managerial skills could cause the business to fail (Strydom, 2012:3). Gwija (2014:54) found that business skills, such as those pertaining to general management, administration, operations and production, marketing, and essential financial skills would boost the chances of youth business success. The study conducted by Kunene (2008) on SMEs in Johannesburg, South Africa, found that key skills that enhance SME success include the ability to gather resources, marketing, motivation, legal, financial and operational management skills. In addition, Kunene (2008) found that successful SMEs had been trained in more skills categories than less successful SMEs, with most of the successful SMEs having received training in all the key skills identified. In Table 2.11, business skills required by entrepreneurs are described.

**Table 2.11: Business skills required by entrepreneurs**

<b>Business skills</b>	<b>Description</b>
General management	How a business works and how it must be managed. Planning, organising, leading, motivating and control form part of general management. Proper planning for the future, the investigation of all production factors, leading the operation and the control of all staff activities will ensure that the performance of the entrepreneur is greatly enhanced.
Marketing management	Conducting market research, selecting a target market and how to sell to it and positioning the business in the market. Identifying the marketing mix (price, product, place, promotion, physical evidence, people, and process) within the business as well as managing consumer behaviour.
Legal skills	Business forms, contractual law, understanding the necessity for ethical behaviour within a business as well as registering trademarks, logos and designs.
Operational management	Manufacturing the finished product and service, identifying new materials and suppliers, as well as identifying wholesalers and retailers.
Human resource management	Management of people within the business. Recruiting, selecting and training and development of employees on a continuous basis.
Communication skills	Internal communication between employees and the owner/manager and external communication between the entrepreneur and all other stakeholders, such as customers and suppliers.
Business plan compilation	Before committing time and energy on preparing a business plan, the entrepreneur should do a quick feasibility study of the business concept. The feasibility study- done by the entrepreneur- is in preparation for writing the business plan. The business plan is a comprehensive action plan of how an entrepreneur will achieve his or her business goals.
Financial management	How to do financial planning, how to collect money from customers and pay suppliers, what sources of finance must be used to obtain capital and how to compile financial statements, such as income statement, balance sheet and cash flow statements.
Cash flow management	Managing the cash inflow and outflow in a business and solving cash flow problems.

Source: Botha (2006:72)

These business skills are essential for young entrepreneurs to change their businesses into commercially viable and competitive small businesses. Youth entrepreneurs should have the capacity to plan, communicate, and market their businesses, as well as display interpersonal skills, basic management skills, quantitative or analytical skills, personal effectiveness, team-building skills, and leadership (Chigunta, 2002:14). The business skills imply their ability to carry out the management skills, namely, planning, organisation, leadership and control. As the business grows, greater demands are made and the challenges, such as technological innovations, an increase on globalisation of economies, trends towards democratisation and increasing social imbalances, have to be managed successfully. Therefore, managers need to keep up with technological advances, strive to remain competitive and manage workforce diversity (Nieman & Bennett, 2006:85-87). In order to be successful in such circumstances, organisations need skilled managers who can integrate tried-and tested management skills with new approaches. The management skills are technical skills such as good planning and

handling staff, team building and personal drive. The business skills can be acquired through formal management or informal management education (Nieman & Bennett, 2006:85-87).

## **2.8 MEASURING BUSINESS SUCCESS**

In order to measure success, there must be a standard against which to measure success. Different dimensions are used to measure success of small business, such as profitability and number of years that the business has been in operation (Moreno & Casillas, 2007). The study conducted by Alasadi and Abdelrahim (2007) in small business performance in Syria points out that the lack of universally accepted standard performance measures left the door open to business organisations to decide and choose their own performance measures that might not truly reflect performance. A study by Baron and Tang (2007 in Swanepoel, 2008:275) used three measures of performance of the new venture (younger than eight years) in their research. The first measure is the adjusted industry-controlled growth rate-average growth in turnover calculated over a fixed four-year period adjusted to sector average growth over the same four-year period for the industry sector of each new venture. The second measure is the average profit growth calculated using the same formula as for average turnover. The third measure is the relative employment growth rate (current number of employees minus number of employees when the venture was founded, all divided by the latter). This study adopts the third measure of performance measures suggested by Baron and Tang (2007 in Swanepoel, 2008:275).

## **2.9 PERFORMANCE OF YOUTH BUSINESS**

Performance of youth business is rated according to the performance of a business organisation owned by youth aged 18-35 years, engaged in commerce, involving selling of goods and services to clients for profit (Musee, 2013:9). In a study for the OECD, focusing on youth entrepreneurship in the European Union countries, Green (2013:9) noted that studies of the performance of youth businesses are limited.

More recently, Swanepoel (2008) and Rachidi (2014) in South Africa and Ling *et al.* (2009) in Malaysia, as well as Musee (2013) in Kenya studied youth business performance. Swanepoel (2008) investigated the business performance of a youth entrepreneurship programme in South Africa. With regard to youth business performance, Swanepoel (2008:276) revealed that anomalies in turnover and profit data over a fixed four-year period for the youth entrepreneurs could not be determined. Second, most of the respondents had fewer than five employees, which made absolute or relative employment increase as a measure of performance meaningless. The study conducted by Rachidi (2014:1263) found that youth-owned businesses were still small, with an average of five employees. Musee

(2013:40) found that youth businesses performances were not able to grow as they would have wished.

The study conducted by Ling *et al.* (2009:65) noted that the youth entrepreneurs were asked to rate their present business performance on a scale of 1-5, with 1 being that the business is at the critical stage: It is difficult to continue operating this business, 2 reinforcements stage: will continue the business, 3 development stage, 4 matured/stable/established stage and 5 successful stage. However, slightly over two-thirds (66.9 percent) of the youth entrepreneurs rated their present business performance at stage 3: at the development stage. This was followed by 16 percent who put it at stage 2: reinforcement stage and 13.9 percent who rated it at the 4th stage: matured/stable/established and only 2.1 percent of the youths reported their businesses as being at the 5th stage: successful stage. In this study, it follows that slightly over two-thirds (66.9 percent) of youth-owned businesses are still at development stage despite high creativity and innovation showed by youth entrepreneurs.

Youth entrepreneurship becomes an essential strategy for integrating youth into labour markets, thereby addressing unemployment challenges (Simpson & Christensen, 2009:1). However, youth-owned businesses have low growth rates (Ling *et al.*, 2009:65; Swanepoel, 2008:276; Rachidi, 2014:1262; Fatoki, 2014b:104) that make little impact on the poverty alleviation, particularly in CDM of Limpopo where unemployment is high for young people. For example, in Aganang Municipality, 65 percent of young people are unemployed, 47 percent in Blouberg Municipality, 62 percent in Lepelle-Nkumbi Municipality, 52 percent in Molemole Municipality and 42 percent in Polokwane Municipality (Senyatsi, 2014). Moreover, Maas and Herrington (2007:20) reported that Limpopo's youth TEA is 11.1 percent, the third lowest of the nine provinces.

Lastly, Sehlapelo (2012:114) pointed out that youth entrepreneurs do not invest their funds in profitable business projects but spent them on personal products ranging from clothes to cars. Therefore, it is highly relevant to analyse youth business performance in the CDM of Limpopo.

## **2.10 CONCLUSION**

In this chapter, the literature dealing with the youth business performance was reviewed. The internal factors (entrepreneurial orientation) such as education, culture, work experience and creativity and innovation, autonomy, risk taking, proactiveness, and pursuing and anticipating opportunities and competitive aggressiveness were discussed as barriers of the growth of youth-owned businesses. In addition, external factors (supportive environment and cooperative environment), such as mentorship, role model, networking, access to finance,

government regulation, training, institutions that are actively involved in, and assist with new firms and also business environments factors namely, business location, crime and corruption are barriers to the growth of youth owned businesses (Beeka & Rimmington, 2011:160; Dzisi, 2014:15). These factors are huge. According to Turton and Herrington (2012:73), the youth's business discontinuance rate (going out of business) is at 4 percent, which is higher than its established business rate of 1 percent. In addition, Van Praag (2003:1) pointed out that, of every 100 start-ups only 50 firms survive the first three years. Therefore, it is highly relevant to analyse youth entrepreneurship business performance in the CDM. The business skills and how small businesses in CDM will be measured are discussed. The conclusion is that the youth entrepreneurs in Limpopo seem to lack work experience, education, and self-confidence, which may impact on their creativity and innovation, their ability to take calculated risks and to use available opportunities and as well as available business support. However, CDM seems not have clear defined strategy to support SMMEs. The next chapter discusses the research methodology employed in this study.

## **CHAPTER 3: RESEARCH METHODOLOGY**

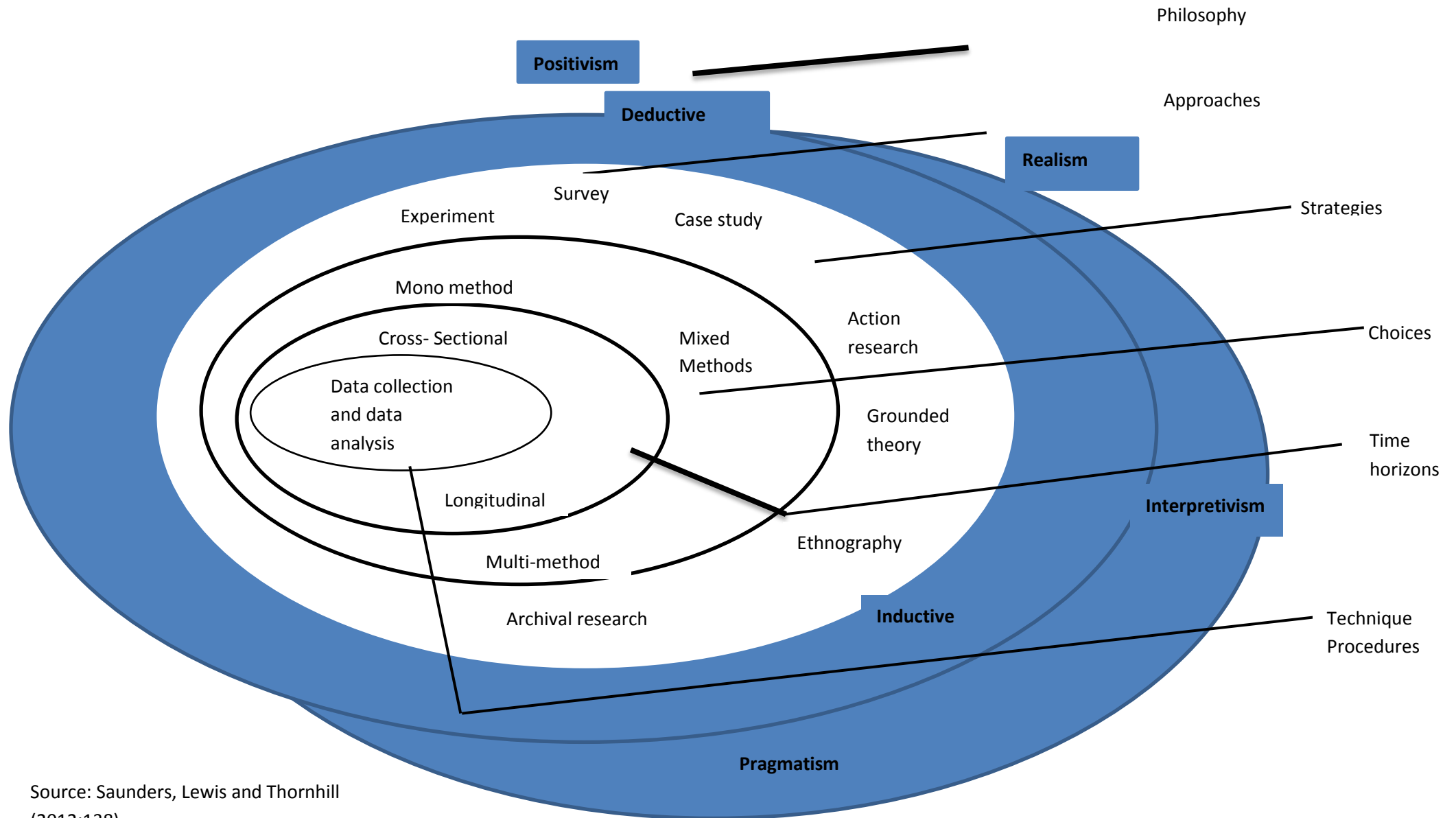
### **3.1 INTRODUCTION**

In Chapter 2, the literature review regarding the youth business performance was presented. In this chapter, an explanation of the research methodology employed in this study is discussed. A discussion of the research process, the purpose of the research, research philosophy, research approach, and research design is presented. The outline of data collection and analysis on youth business performance assisted by LEDA in the CDM of Limpopo is explained in detail. This is followed by a discussion of the validity and reliability, ethical compliance, limitations and de-limitation of the study.

### **3.2 RESEARCH METHODOLOGY**

A research methodology focuses on the research process and the kind of tools and procedures to be employed (Mouton, 2001:56). In Figure 3.1, the research model employed in this study is outlined. In the next section, the research process will be discussed in more detail.

**Figure 3.1: Research model**



Source: Saunders, Lewis and Thornhill  
(2012:138)

From Figure 3.1, it follows that Saunders *et al.* (2012:138) depicted the issues of research methods. .

First, the purpose and the objectives of the research, as defined in Chapter 1, are repeated. Then, the positivism philosophy, deductive reasoning, explanatory research, quantitative method, survey research, cross-section of time horizons and structured questionnaire are explained.

### **3.3 THE PURPOSE OF THE RESEARCH: PROBLEM FORMULATION**

It follows from the statistics provided in the introduction that youth businesses have low TEA rates and are going out of business at an alarming rate. Therefore, the research problem is that no study has been done of youth entrepreneurs in the CDM of Limpopo and as the result, factors influencing youth business performance are not known.

The empirical objectives of this research project are primary and secondary in nature. The primary objective of this study is to analyse the youth entrepreneurship business performance in the CDM. The secondary objectives of the study are:

- to determine if internal factors (work experience, culture and education) influence the performance of youth-owned businesses in the CDM.
- to investigate if external factors (role models and mentorship, networking) influence the performance of youth-owned businesses in the CDM.
- to assess whether government regulation, crime and corruption, marketing environment, business location and availability of start-up financing influence the performance of youth-owned businesses in the CDM.

### **3.4 RESEARCH PHILOSOPHY**

Positivism refers to a systematic way of doing research that emphasises the importance of observable facts (Van Rensburg, Alpaslan, Du Plooy, Gelderblom, Van Eeden & Wigston, 2010:22). Conversely, interpretivism refers to an approach that emphasises the importance of insiders' viewpoints to understanding social realities (Van Rensburg *et al.*, 2010:25). The research philosophy for this study was positivistic. The positivist approach underlies the natural-scientific method that explains the causes of objectively observable and measurable behaviour (Welman, Kruger & Mitchell, 2005:6). The researcher is independent of the data and maintains an objective stance (Saunders *et al.*, 2012:134). A positivistic paradigm was used in the study of youth entrepreneurs assisted by LEDA in the CDM of Limpopo. Most of the data collected were highly specific.

### 3.5 RESEARCH APPROACH

The deductive approach refers to the development of a clear theoretical position before the collection of data while the inductive approach is based on the principle of developing theory after the data have been collected (Saunders *et al.*, 2012:41). In Table 3.1 below deductive and inductive reasoning are discussed.

**Table 3.1: Difference between the deductive and inductive reasoning**

Deductive emphasises	Inductive emphasises
Scientific principles Moving from theory to data The need to explain causal relationships between variables The collection of quantitative data The application of controls to ensure validity of data The operationalisation of concepts to ensure clarity of definition A highly structured approach Researcher independence of what is being researched The necessity to select samples of sufficient size in order to generalise conclusions	Gaining an understanding of the meanings humans attach to events A close understanding of the research context The collection of qualitative data A more flexible structure to permit changes of research emphasis as the research progresses A realisation that the researcher is part of the research process Less concern with the need to generalise

Source: Saunders *et al.* (2012: 127)

It follows from Table 3.1 that deductive reasoning is appropriate for a quantitative approach whereas inductive reasoning is appropriate for a qualitative approach. The deductive approach to reasoning was used in this study.

### 3.6 RESEARCH DESIGN

According to Bless, Highson-Smith and Sithole (2013:395), a research design is a plan or framework for a study. In this section, the research purpose (an exploratory, descriptive and explanatory), methodology (quantitative and qualitative), research strategy and time horizon are discussed.

#### 3.6.1 RESEARCH PURPOSE

Research purpose can be classified into exploratory, descriptive, and explanatory research:

- An exploratory study is a valuable means of finding out ‘what is happening; to seek new insights; to ask questions and to assess phenomena in a new light’ (Robson, 2002 in Saunders *et al.*, 2012:139).
- Descriptive research is conducted to answer questions such as who, what, when, where and how (Cooper & Schindler, 2008:144).
- Explanatory research is carried out to study a situation or a problem in order to explain the relationships between variables (Saunders *et al.* 2012:140). This study

was explanatory study with the intention of understanding factors that influence the performance of youth-owned businesses in the CDM of Limpopo.

### **3.6.2 METHOD CHOICES**

A decision needs to be made when primary research is conducted with regard to suitable research approaches (quantitative or qualitative) as well as primary data collection methods that will be employed in the study. In quantitative research, highly structured, large sample, measurement data collection techniques are most often used while in qualitative research small samples, in-depth investigations are utilised (Saunders *et al.*, 2012:119).

The research methods that are utilised in a quantitative approach include surveys and experiments while the research methods that are used in qualitative research include phenomenology, grounded theory, ethnography, case study, and narrative (Creswell, 2014:18). A quantitative approach is predominantly used as a synonym for any data collection technique such as a questionnaire or data analysis procedure (such as graphs or statistics) that generates or uses numerical data. Conversely, qualitative research is used predominantly as a synonym for any data collection technique such as an interview or data analysis procedure (such as, categorising data) that use non-numerical data (Saunders *et al.*, 2012:151).

In order to reach the research objectives and answer the research questions, a quantitative research approach was used. A quantitative approach aligns with an explanatory purpose. The quantitative approach method is used in order to test theory (Welman *et al.*, 2005:8; Saunders *et al.*, 2012:162). Quantitative research is an objective, systematic process in which numerical data are used (Welman *et al.*, 2005:8-9; Saunders *et al.*, 2012:162).

### **3.6.3 RESEARCH STRATEGY**

A survey research refers to the strategies that a researcher needs to make inferences from a sample about a population to answer research questions and to meet research objectives (Saunders *et al.*, 2012:162). The survey strategy allows the researcher to collect quantitative data, which can be analysed quantitatively using descriptive and inferential statistics (Saunders *et al.*, 2012:144). The survey research was conducted and a structured questionnaire was used in this study to collect primary data from the youth entrepreneurs in the CDM. In quantitative research, a survey research strategy is conducted through structured questionnaire in order to allow the collection and comparison of standardised data from a sizeable population in a highly economic way (Welman *et al.*, 2005:149; Saunders *et al.*, 2012:163).

### **3.6.4 TIME HORIZONS**

Time horizon for this study was cross-sectional (Welman *et al.*, 2005:95). A cross-sectional time horizon is the study of a particular phenomenon at a particular time employing the survey strategy (Saunders *et al.*, 2012:190). The researcher analysed the youth entrepreneurship business performance in the CDM using a questionnaire in October 2015. However, the survey will not be repeated later.

## **3.7 DATA COLLECTION AND DATA ANALYSIS**

### **3.7.1 UNIT OF ANALYSIS**

Unit of analysis refers to the members or elements of the population (Welman *et al.*, 2005:53). The unit of analysis for this study was youth entrepreneurs.

### **3.7.2 POPULATION**

The population is the study object and consists of individual, groups, organisations, human products and events (Welman *et al.*, 2005:52) about which the researcher wants to make some inferences (Cooper & Schindler, 2008:374). The LEDA incubation list contained 83 youth entrepreneurs in the CDM of Limpopo and this formed the target population in this study. Official permission was obtained to access these youth entrepreneurs. Refer to Appendix D.

### **3.7.3 SAMPLING FRAME AND SAMPLING STRATEGY**

The sampling frame for any probability sample is a complete list of all the cases in the population from which the sample will be drawn (Saunders *et al.*, 2012:214). Probability sampling was used in this study. Probability sampling refers to an approach whereby each person (element) has an equal chance of being chosen in the sample (Van Rensburg *et al.*, 2010:155). The respondents for this study were 26 youth entrepreneurship business units in CDM, Limpopo, South Africa. It was difficult to obtain a higher number of interviewees representing the business units, hence the smaller realised sample size for this study. A total number of 83 youth-owned businesses were targeted based on the two databases provided by LEDA. However, many of the businesses were duplicated on the two lists. It may be possible to collect data from every possible case or group member; this is termed a census (Saunders *et al.*, 2012:210). A census was used in this study. A census is defined as a study of an entire population (Van Rensburg *et al.*, 2010:149-150) with the aim of determining the approximate number of people in the various categories of such variables (Welman *et al.*, 2005:101).

### **3.7.4 DATA COLLECTION INSTRUMENT**

A structured questionnaire was used in this study to collect primary data from the youth entrepreneurs in the CDM. The questionnaire was adapted from previously used

questionnaires by Schoof (2006); Swanepoel (2008); Radipere (2014a) and included questions based on the literature reviewed in Chapter 2 of this dissertation. Refer to Appendix A. In quantitative research, a survey research strategy is conducted through a structured questionnaire in order to allow the collection and comparison of standardised data from a sizeable population in a highly economic way (Welman *et al.*, 2005:149; Saunders *et al.*, 2012:163). Structured questionnaires were sent electronically using the internet to collect primary data from youth entrepreneurs in CMD in Limpopo. In addition, to the internet, questionnaires were delivered by hand and faxed to participants who have no access to the internet and these were later collected.

A Likert scale-5 point was used in the questionnaire. The Likert scale is a variation of the summated rating scale and comprises statements that show either a favourable or an unfavourable attitude to the research subject (Tustin, Ligthelm, Martins & Van Wyk, 2005:408). The Likert-style rating in which the participant is asked how strongly she or he agrees with a statement or series of statements was used (Saunders *et al.*, 2012:428). It is possible to derive quantitative data from primary quantitative data on an ordinal scale with a Likert scale, which is often used in survey research questionnaires. The questionnaire was structured as follows:

Section A: Biographical details

Section B: Internal factors (entrepreneurial orientation)

Section C: External factors (supportive and cooperative environments)

Section D: Business successes of youth entrepreneurs

The database provided by LEDA only contained phone numbers. All these numbers had to be phoned to ask for the email address and fax numbers. At the same time, the potential respondents were informed of the purpose of the survey and requested to participate.

When a new measurement instrument is developed, it is useful to test it using a pilot study before administering it to the actual sample. A pilot study entails administering the instrument to a limited number of subjects from the same population as that for which the eventual project is intended (Welman *et al.*, 2005:148).

A pilot study was conducted on ten youth entrepreneurs assisted by LEDA in Tubatse Municipality in the Limpopo in order to test the questionnaire. Four questionnaires were delivered to the business sites of entrepreneurs and it took a minimum of 15 minutes and a maximum of 20 minutes for youth entrepreneurs to complete the questionnaires and they were collected immediately upon completion. One questionnaire was received by fax and

five were received by email. From 10 questionnaires received, questions which did not give meaningful answers were identified and corrected. Most importantly, it followed from the pilot study that the questionnaire could be used as a measurement instrument for the study. The respondents understood the questions and meaningful answers could be provided. The upgraded questionnaires were distributed via email, fax, and delivered to the business sites of the youth entrepreneurs.

### **3.7.5 DATA ANALYSIS**

The data analysis is “the process of editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques” (Cooper & Schindler, 2008:702). The following data analysis steps by Cooper and Schindler (2008:476) were followed in this study to analyse data:

- Prepare data, clean and code;
- Check reliability of instrument;
- Establish zero hypotheses;
- Choose test and select level of confidence;
- Conduct the test;
- Obtain critical value; and
- Interpretation of the results.

Coding makes it possible to analyse and make sense of the data that have been collected (Welman *et al.*, 2005:214). Completed questionnaires were coded by allocating numerical values to the responses. The questionnaire was pre-coded during the design stage to make it possible to access the codes for variable categories directly from the questionnaire. The coded data were captured electronically by computer using the Statistical Package for the Social Sciences (SPSS) to compile descriptive statistics.

The reasons to use descriptive statistics were to provide preliminary insights into the nature of the responses obtained for every variable in the study; to detect errors in the coding and capturing of the data; to present the data by means of tables and graphs; to provide summaries of responses and the extent of variation in the responses for each variable and to evaluate whether the distributional assumptions of subsequent statistical tests were going to be satisfactory (Tustin *et al.*, 2005:523).

Tables were constructed to show frequency numbers and percentages on how the respondents had responded to the questions in relation to variables of the study, such as internal factors (entrepreneurial orientation), namely, education, culture, work experience

and personal orientation) and external factors (supportive and cooperative environments), such as mentorship, role models, government regulation, access to finance, networking, training as well as business environmental factors: business location, crime and corruption to establish whether they are related to youth business performance.

An interpretation in quantitative research means that “the researcher draws conclusions from the results for the research questions, hypotheses, and the larger meaning of the results” (Creswell, 2014:163). The results of the study were interpreted and the conclusions were drawn from the research questions.

### **3.8 VALIDITY AND RELIABILITY**

Both validity and reliability are the most prominent criteria for the evaluation of the study (Bryman & Bell, 2015:49). In this section, validity and reliability of the study are discussed.

#### **3.8.1 VALIDITY (EXTERNAL AND INTERNAL)**

Validity is the “extent to which the instrument measures what it is intended to measure” (Leedy & Ormrod, 2014:89). External validity is the “extent to which the conclusions drawn from the research findings can be generalised” (Msweli, 2011:63) to the population. Since the researcher conducted a census, the results of the study can be generalised to the population (that is, youth entrepreneurs in CDM). The internal validity in relation to questionnaires refers to the ability of a questionnaire to measure what the researcher intends to measure (Saunders *et al.*, 2012:429). This study was conducted in a real-life setting in the CDM of Limpopo.

The various forms of validity are explained as follows:

- Face validity: Face validity deals with whether the questionnaire appears to make sense (Saunders *et al.*, 2012:394). The questionnaire was in simple English for the respondent to understand;
- Content validity refers to the extent to which the measurement questions in the questionnaire provide adequate coverage of the investigative questions (Saunders *et al.*, 2012:429). The questions in the research questionnaires were formulated based on the literature review in Chapter 2 as well as validated questionnaires from previous studies of entrepreneurship by Schoof (2006); Swanepoel (2008); and Radipere (2014a).
- Construct validity refers to the extent to which measurement questions actually measure the presence of those constructs researcher intended them to measure

(Saunders *et al.*, 2012:430). The questionnaire was aligned with theoretical aspects of the research study; and

- Criterion-related validity is concerned with the ability of the questions to make accurate predictions (Saunders *et al.*, 2012:429). The validity of the questionnaires had been tested as discussed in section 3.7.4.

### **3.8.2 RELIABILITY**

Reliability is the “consistency with which a measuring instrument yields certain, consistent result when the entity being measured has not changed” (Leedy & Ormrod, 2014:91). In order to ensure reliability the following were adhered to:

- All respondents were informed and encouraged to participate in the study via telephone. Moreover, respondents were given options to return the questionnaires, such as fax, email, and collection by the researcher;
- The measurement instrument was a structured questionnaire and all respondents were allowed time to complete it; and
- Only the researcher used the instrument to ensure consistency.

## **3.9 ETHICAL COMPLIANCE**

The following ethical considerations were complied with during data collection:

- All the respondents in the study were provided with the opportunity to remain anonymous and assured that no way of connecting the information provided with their personal contact details;
- All the respondents in the study were assured that all the data provided would be treated confidential and aggregated for analyses purposes;
- The respondents were fully informed about the procedures and risks involved in the study. Refer to the letter of consent, a copy of which is included in Appendix B; and
- Ethical clearance was obtained from the College of Economic and management sciences on the 25 of August 2015. Refer to the ethical clearance certificate, a copy of which is included in Appendix E.

## **3.10 LIMITATIONS AND DE-LIMITATIONS OF THE STUDY**

The limitations and delimitations relevant to this research:

- Some of the respondents could not provide accurate turnover and profit figures to measure success;

- Some of the respondents were too busy, or unavailable at their business sites, had no computer illiteracy, and inadequate fax machines; and
- The study was limited to youth entrepreneurs assisted by LEDA in CDM of Limpopo.

### **3.11 SUMMARY**

In this chapter, the research process that was followed is explained. The purpose and the objectives of research study were outlined as set out in Chapter 1. An explanatory study was carried out by means of a survey. The data were collected by means of structured questionnaires, with questions using both nominal and ordinal scales. Data were collected from a total number of 26 youth entrepreneurship business units in CDM. The difficulties that were encountered during data collection were detailed. Lastly, the statistical techniques used to analyse the data were discussed.

## **CHAPTER 4 ANALYSIS AND INTERPRETATION OF SURVEY DATA**

### **4.1 INTRODUCTION**

In this chapter, the collected data were analysed and interpreted. As a result of the limited number of respondents (only 26) it was not possible to conduct meaningful statistical analysis relevant testing the hypotheses which had been formulated and these were discarded. The results are mainly descriptive, with use of graphs and tabulations to present the results. The demographic characteristics of surveyed respondents are discussed. This is followed by the presentation of results in line with the objectives (internal and external factors) of the study. Finally, the conclusion of the chapter is provided.

After the demographic characteristics of the study have been presented, the remaining components of the results are presented in line with the objectives of the study. To this end, the research objectives for this study were the following:

- To determine if internal factors (work experience, culture and education) influence the performance of youth-owned businesses in the CDM;
- To investigate if external factors (role models and mentorship, networking) influence the performance of youth-owned businesses in the CDM; and
- To assess whether government regulation, crime and corruption, marketing environment, business location and availability of start-up financing influence the performance of youth-owned businesses in the CDM.

This study covered a total of 26 youth entrepreneurship business units in CDM in the Limpopo of South Africa. It was difficult to obtain a higher number of interviewees representing the business units; hence the smaller realised sample size for this study. A total number of 83 youth-owned businesses were targeted based on the two databases provided by LEDA. However, several of the businesses were duplicated on the two lists. Caution should be exercised regarding the generalisation of the results from this study to the wider population of youth entrepreneurship business units due to the relatively small sample of 26 youth entrepreneurship business units that were included in this study.

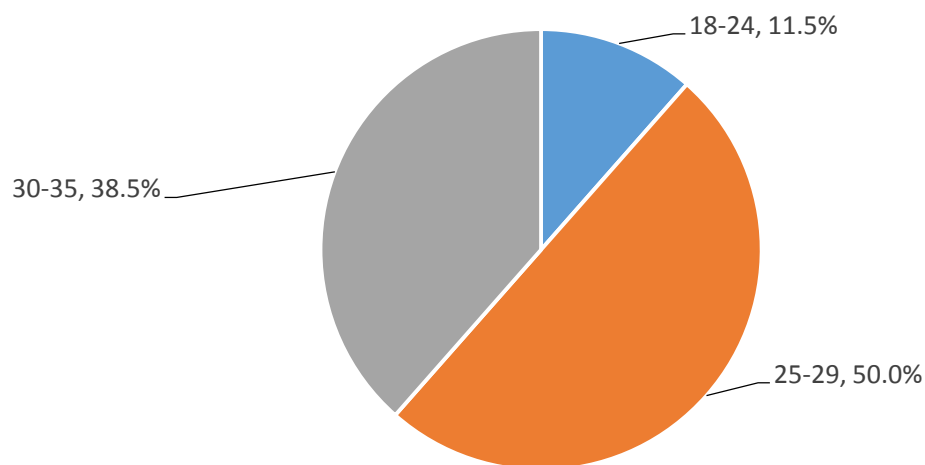
## **4.2 DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS**

The sample for this study comprised of 26 respondents from 26 youth entrepreneurship businesses. The sample consisted of owners within these businesses. The sample was drawn from the CDM. The analysis in this chapter is based on the data from this research.

### **4.2.1 Age distribution of respondents**

Half of the respondents (13) were aged between 25 and 29 years, while 11.5 percent were even younger and aged between 18 and 24 years (Figure 4.1). A further 38.5 percent were between the ages of 30 and 35 years. Since the age of youth is defined as between 18 and 35, all the respondents met the criteria.

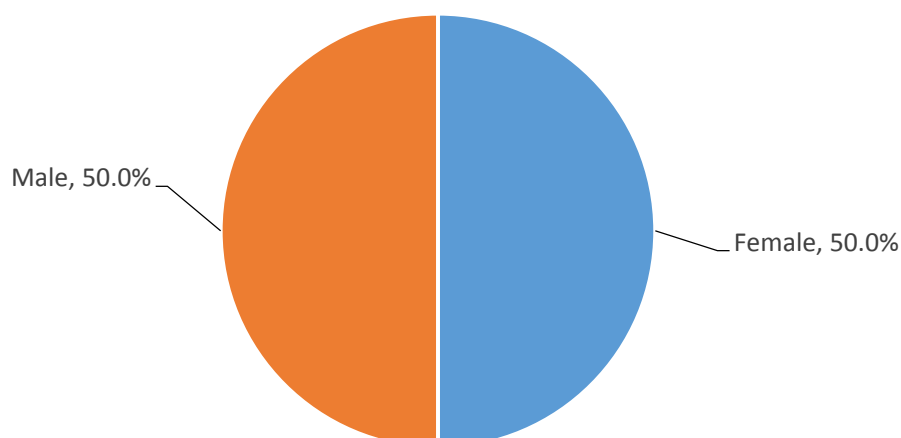
**Figure 4.1: Distribution of Respondents by Age Group (n=26)**



### **4.2.2 Gender distribution of respondents**

The distribution of the respondents by gender shows that there was a perfect gender balance in the study sample, with half of them being female and the remaining half being male (Figure 4.2). This may be attributed to the small size of the number of sample. In contrast, these results differ slightly from that found by Sehlapelo (2012:83) which show that number of males (47.7 percent) owning businesses is less than females (52.3 percent) in Limpopo.

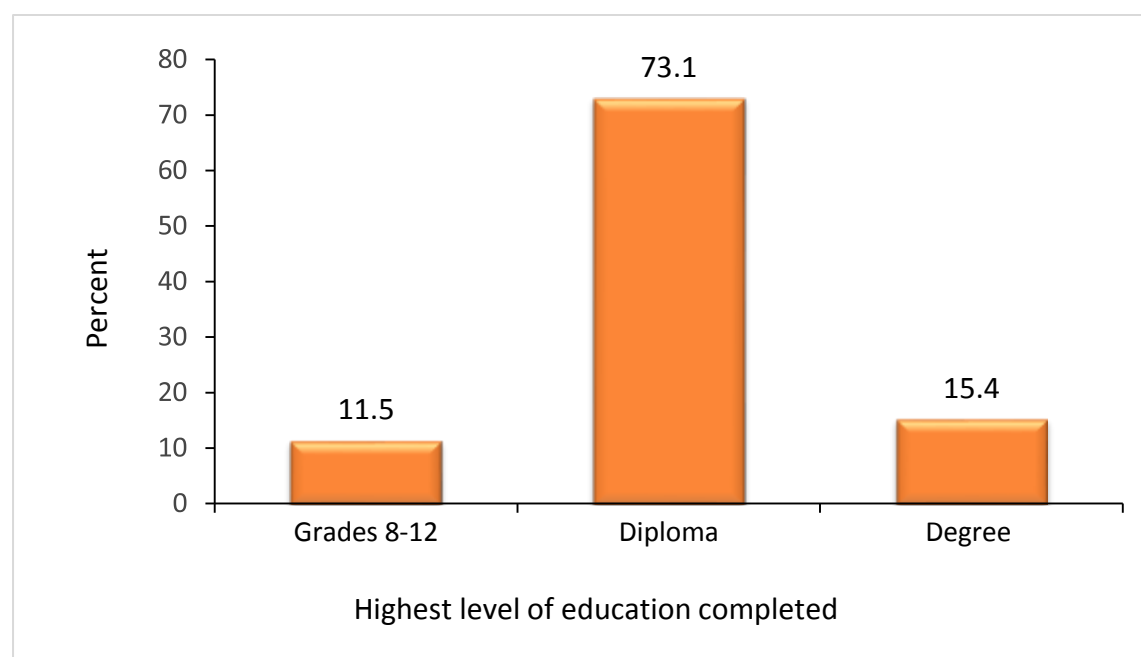
**Figure 4.2: Distribution of Respondents by Gender (n=26)**



#### **4.2.3 Distribution of respondents by highest level of education completed**

The respondents were asked to indicate the highest level of education that they had completed. The results presented in Figure 4.3 indicate that the majority (19, which is 73.1 percent) of the respondents had completed a diploma-level education. The remainder had completed a degree level (4, which is 15.4 percent) and grade 8-12 (3, which is 11.5 percent).

**Figure 4.3: Distribution of Respondents by Highest Level of Education Completed (n=26)**



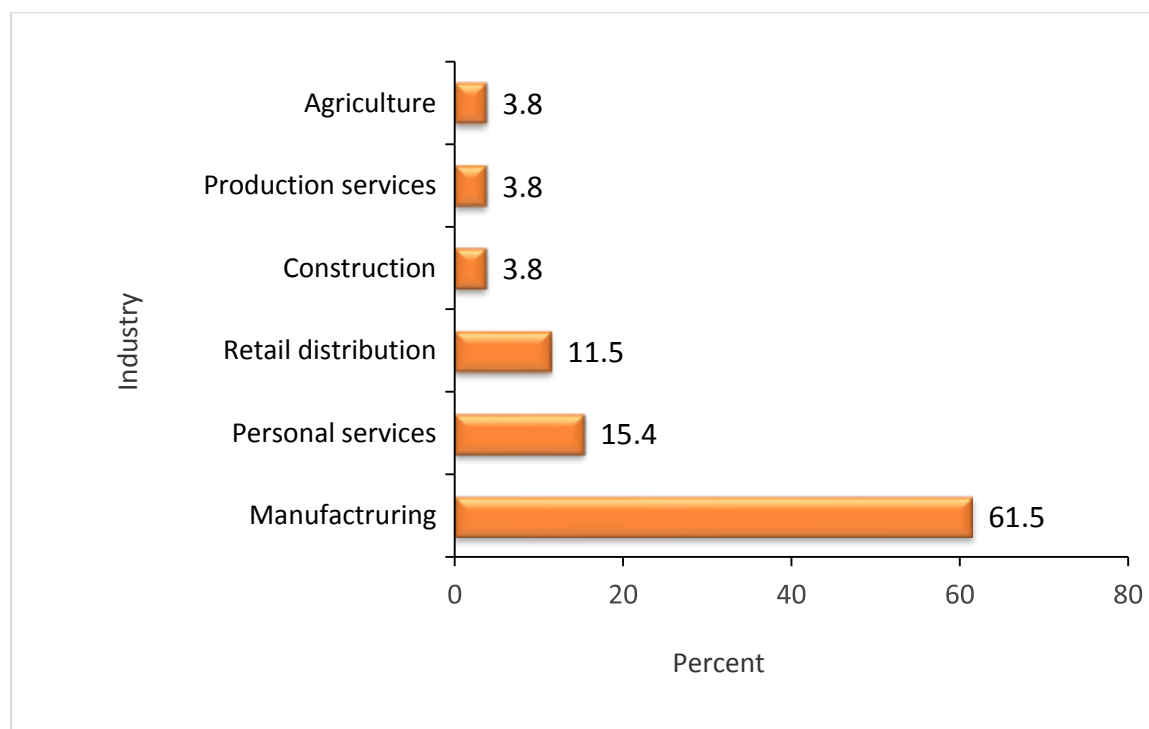
### 4.3 Youth entrepreneurship business unit characteristics

This section provides the results regarding the characteristics of the surveyed youth entrepreneurship business units.

#### 4.3.1 Distribution of respondents by nature of industry

The respondents were asked to indicate the nature of the industry in which their business unit operates. The results presented in Figure 4.4 show that the majority of the business units (16, which is 61.5 percent) are in the manufacturing industry, followed by personal services (15.4 percent) and retail (11.5 percent). The lowest proportion is in the agriculture, construction and production services industry (1, which is 3.8 percent).

**Figure 4.4: Distribution of businesses by industry sector (n=26)**

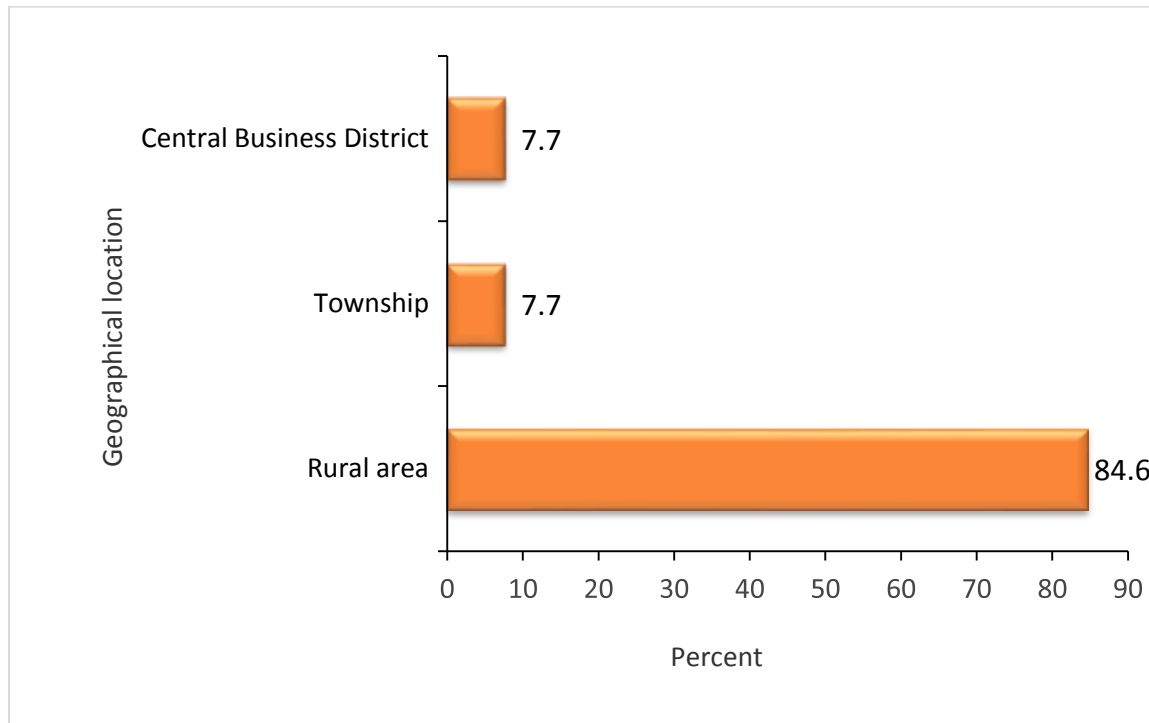


#### 4.3.2 Business location

The respondents were asked to indicate the location of their business. The results presented in Figure 4.5 indicate that most the businesses were in the rural area (22, which is 84.6 percent). The remaining businesses were in the township and CBD (1, which is 3.8 percent), respectively. The trend is similar to that found by Maas and Herrington (2007:31) indicating that youth-owned businesses are operated from home. This implies that the small

businesses may not grow in the long run or alternatively that they will need to relocate to urban or large premises.

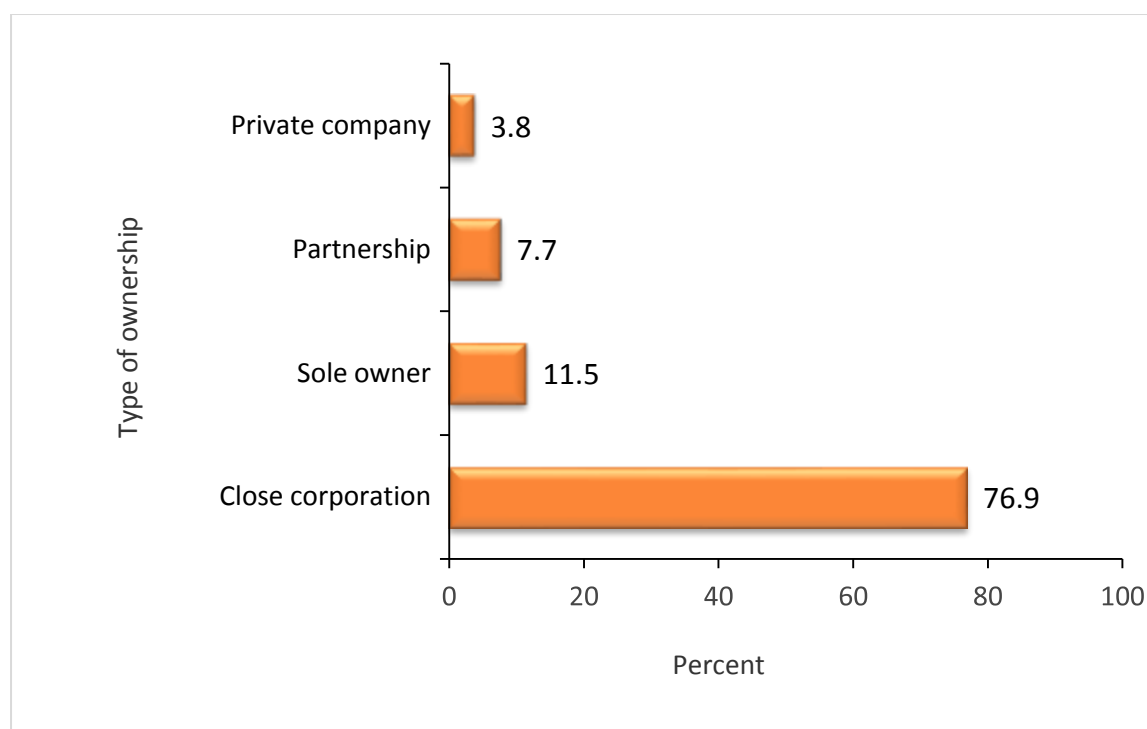
**Figure 4.5: Distribution of businesses by geographic location (n=26)**



#### **4.3.3 Type of Ownership**

The survey asked respondents to indicate the type of ownership of their business. The results presented in Figure 4.6 show that the majority of the surveyed youth entrepreneurship businesses are close corporations (20, which is 76.99 percent), followed by sole ownerships (11.5 percent) and partnerships (7.7 percent). Private companies constitute the lowest percentage (1, which is 3.8 percent) of the youth entrepreneurship businesses belonging to this type of ownership.

**Figure 4.6: Distribution of Businesses by Type of Ownership (n=26)**

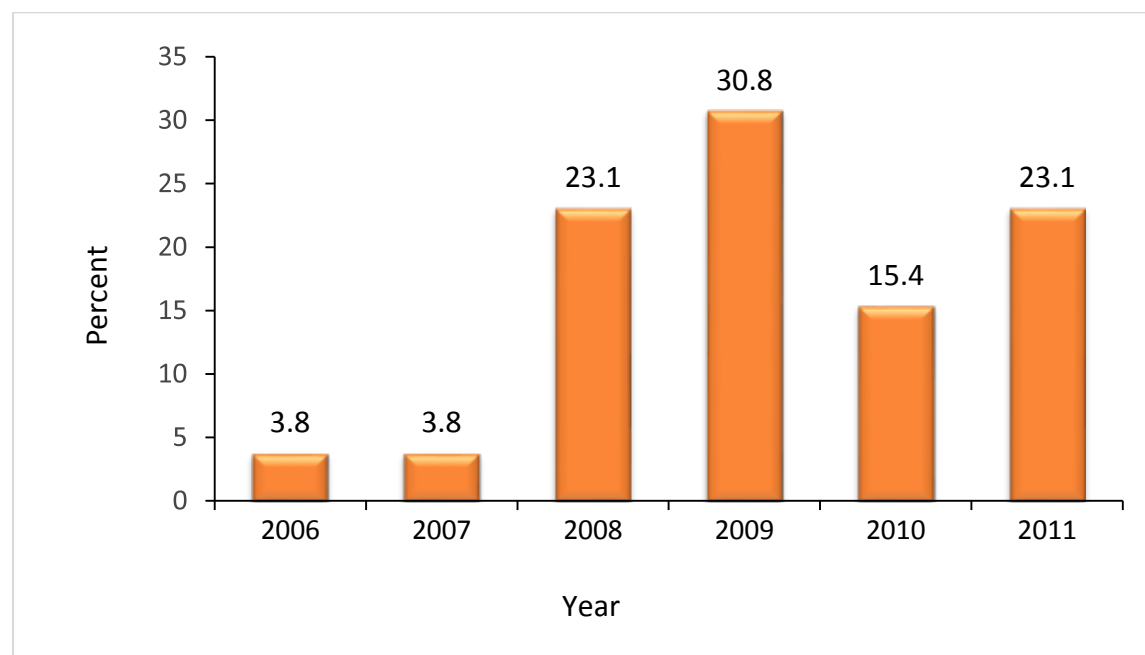


The results regarding the distribution of the respondents by type of ownership of business indicates that the majority of the surveyed youth entrepreneurship businesses are close corporations (76.99 percent) (20). Private companies constitute the lowest percentage with 3.8 percent (1) of the youth entrepreneurship businesses belonging to this type of ownership. Therefore, more businesses were close corporation because many of small business registered before 1 May 2011. The new Companies Act of 2008 stipulates that no new close corporations could be registered from 1 May 2011 and the provision is made by the new Act for close corporations to convert to private companies without any payment. However, the existing ones can continue to exist as close corporations (Companies Act, 71 of 2008). The sole trader/owner follows the close corporation with 11.5 percent because it is usually a small business which is owned by one owner. This form of business is easy and simple to establish. A partnership is the third because it entails only a few legal requirements, such as obtaining a trading licence. Only 3.8 percent of SMEs were registered as private companies because it has a high degree of legal requirements and formalisation and the cost of registration as a private company and the time it takes to register (Companies Act, 71 of 2008).

#### 4.3.4 Year business started operating

The survey asked participants to indicate the year the business started operating. This question was asked in order to determine the age of the business and the relevant years of experience. Only businesses that were aged three years and older were included in this study. This was done because it was assumed that for businesses to have been operating for three years and older is an indication of business success.

**Figure 4.7: Age distribution of businesses (n=26)**

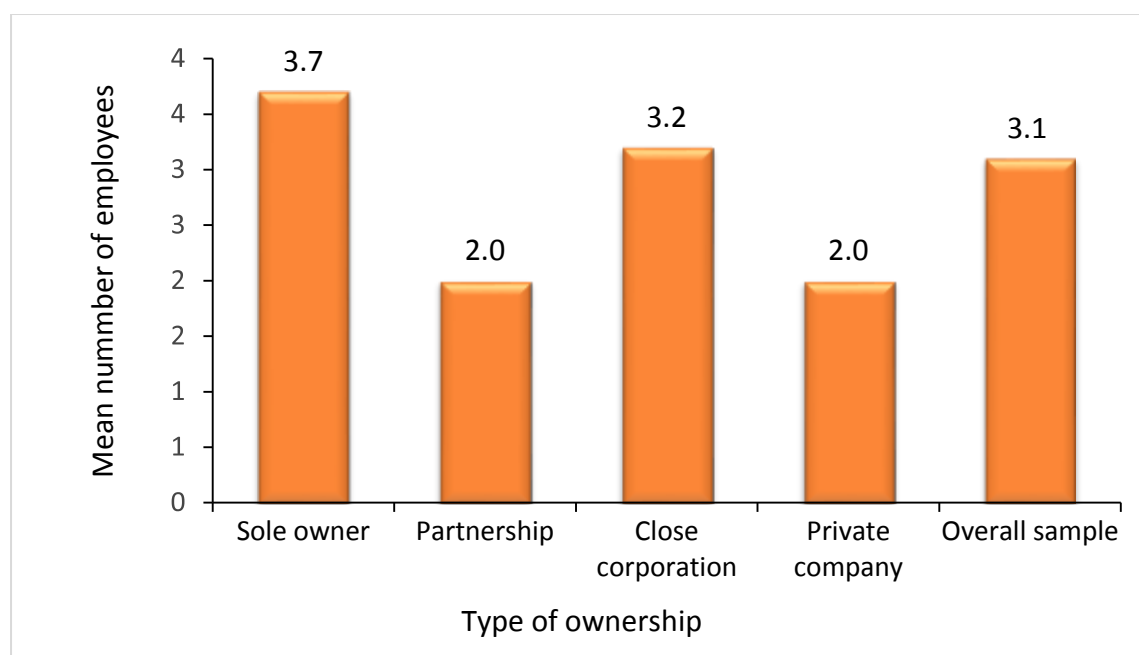


The age of the businesses ranged between four and nine years (Figure 4.7), with all the businesses being in operation for at least four years and can be classified as established business according to the GEM definition of an established business (Maas & Herrington, 2007:8). These businesses were surveyed because the owners have paid wages for more than 3.5 years.

#### 4.3.5 Number of employees by type of ownership

The survey asked participants to indicate the number of employees in each of the businesses. The results from this question are presented in Figure 4.8.

**Figure 4.8: Number of employees by type of ownership of business (n=26)**

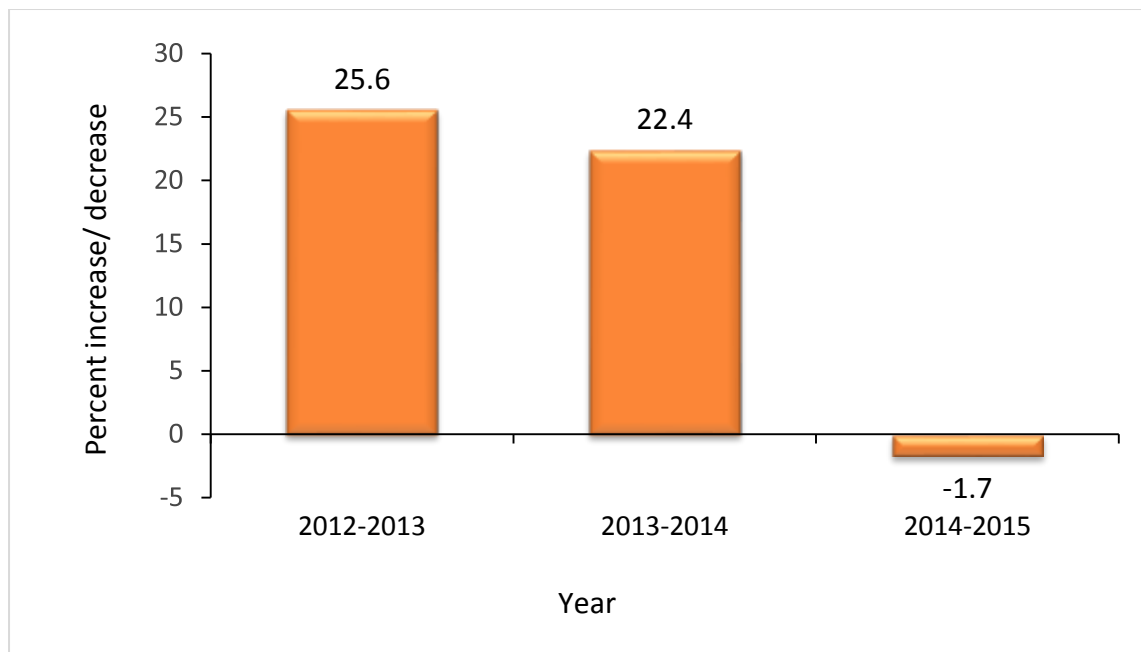


It is evident from Figure 4.8 that the overall average number of employees for the surveyed 26 youth business entrepreneurship is 3.1. Sole ownerships had the highest mean number of employees, at 3.7, while partnerships and private companies each had the lowest average workforce of 2.0 employees. According to the classification of the Small Business Act, these are classified as micro-businesses because they employ fewer than five employees. The trend is similar to that found by Swanepoel (2008:276); Rachidi (2014:1263) (section 2.9) as well as CDM (n.d:32) (section 2.2.2) which show that youth owned-businesses employed fewer than five employees. This implies little impact on poverty alleviation in rural areas.

#### **4.3.6 Number of employees by year**

The survey asked participants to indicate the number of employees in each of the businesses by year. The purpose of the question was to determine whether these businesses are growing or not. The results from this question are presented in Figure 4.9.

**Figure 4.9: Percentage growth in the number of employees n=26)**

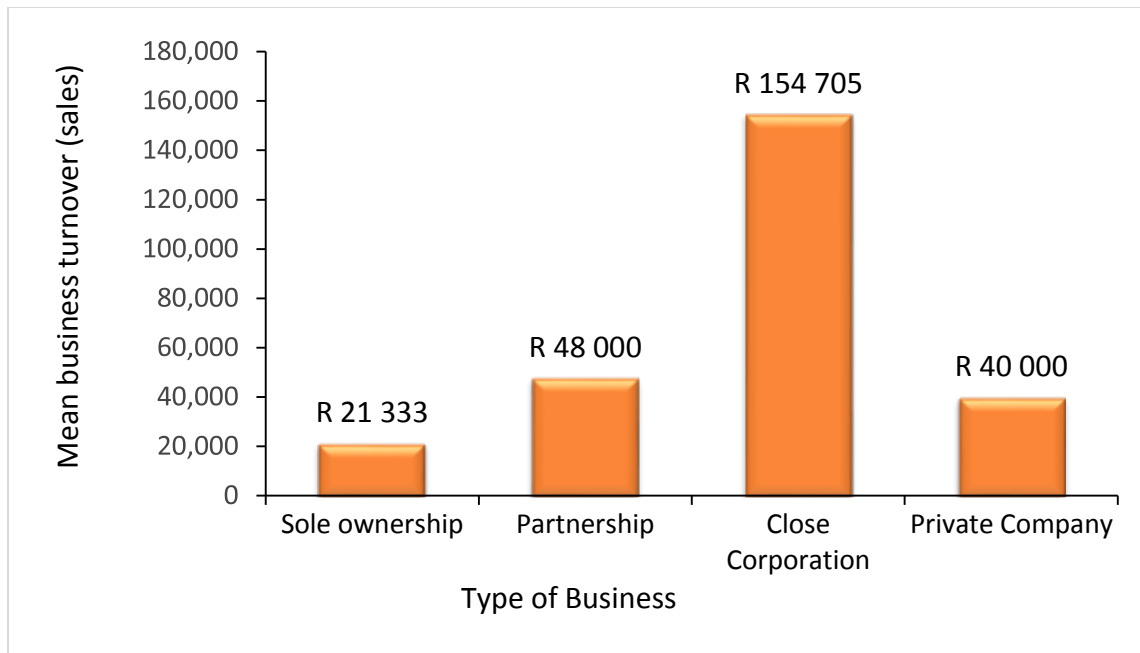


It is observed from the results in Figure 4.9 that the average number of employees for the surveyed youth entrepreneurship businesses has increased by 25.6 percent from 2012 to 2013. This was followed by another increase of 22.4 percent during 2013-2014. Furthermore, the results indicate that there was a decrease of 1.7 percent during the 2014-2015 year. The decline in the average number of employees maybe a reflection of the level of economic growth decrease in the area.

#### **4.3.7 Business turnover per annum by type of ownership**

The survey asked participants to indicate the business turnover attained per annum. The results from this question are presented in Figure 4.10.

**Figure 4.10: Mean business turnover by type of ownership (n=26)**

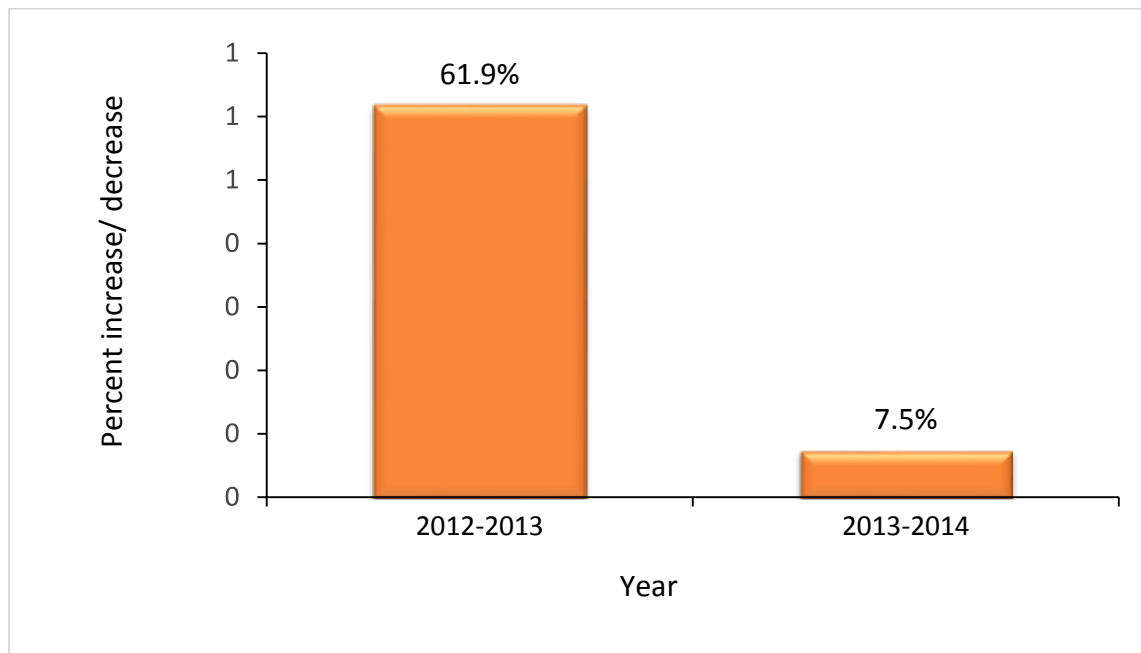


It is observed from the results presented in Figure 4.10 that respondents from Close Corporations reported the highest mean business turnover per annum, R154 705 a year. The lowest business turnover was reported by respondents operating Sole Ownership companies, who reported a mean turnover of R21 333 a year for this type of business.

#### **4.3.8 Business turnover per year from 2012 to 2014**

The survey asked participants to indicate the business turnover attained per year with specific reference to 2012, 2013 and 2014. The purpose of this question was to determine growth in the business as in the case of the number of employees. The results from this question are presented in Figure 4.11.

**Figure 4.11: Distribution of respondents by business turnover and year, 2012-2014 (n=26)**



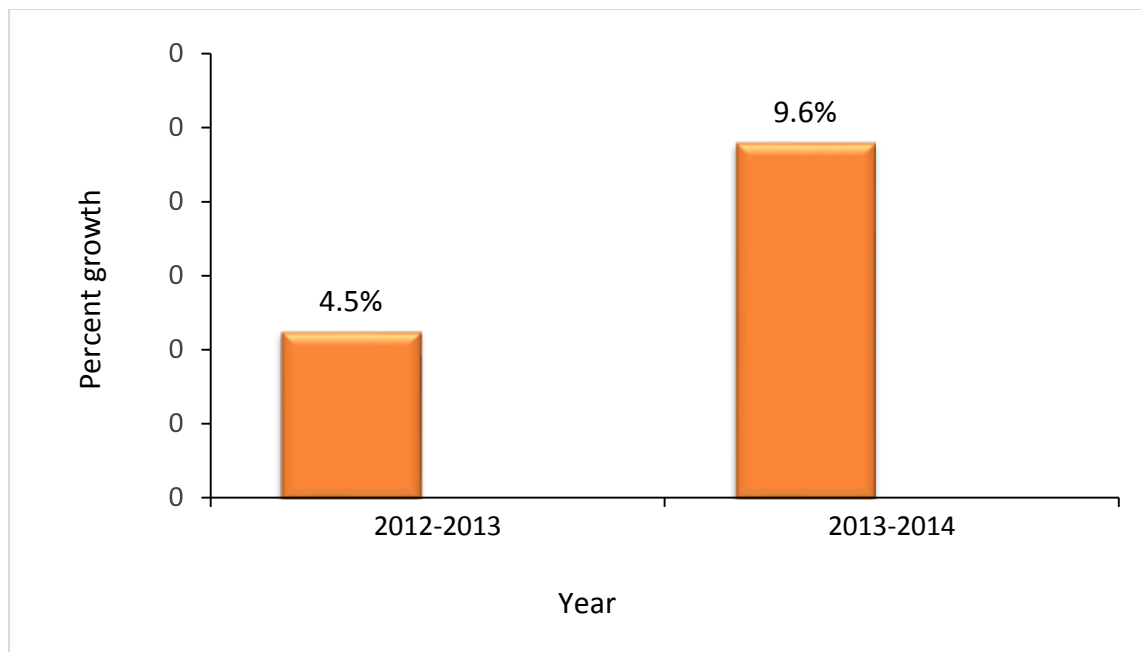
It is observed from the results in Figure 4.11 that there was growth in business turnover regarding sales for the surveyed youth entrepreneurship from 2012 to 2013 of 61.9 percent. This was followed by growth of only 7.5 percent during the 2013 to 2014 year. These results imply positive performance in terms of business turnover among these businesses.

#### **4.3.9 Profit per annum**

The respondents were asked to indicate the percentage of turnover that formed their profit for the business unit. The purpose of this question was to determine if there was growth in profits among the surveyed businesses. The results are presented in Figure 4.12.

**Figure 4.12: Profit, 2012-2014**

**(n=26)**



It is observed from the results in Figure 4.12 that there has been an increase from 2012 to 2013 in the profit among the surveyed youth business entrepreneurships of 4.5 percent. This was followed by another percentage increase in profits from 2013-2014 of 9.6 percent. These numbers indicate a positive growth in profits attained by the surveyed businesses. This next sections reports on the factors that facilitate youth entrepreneurship businesses. These factors constitute both internal and external factors.

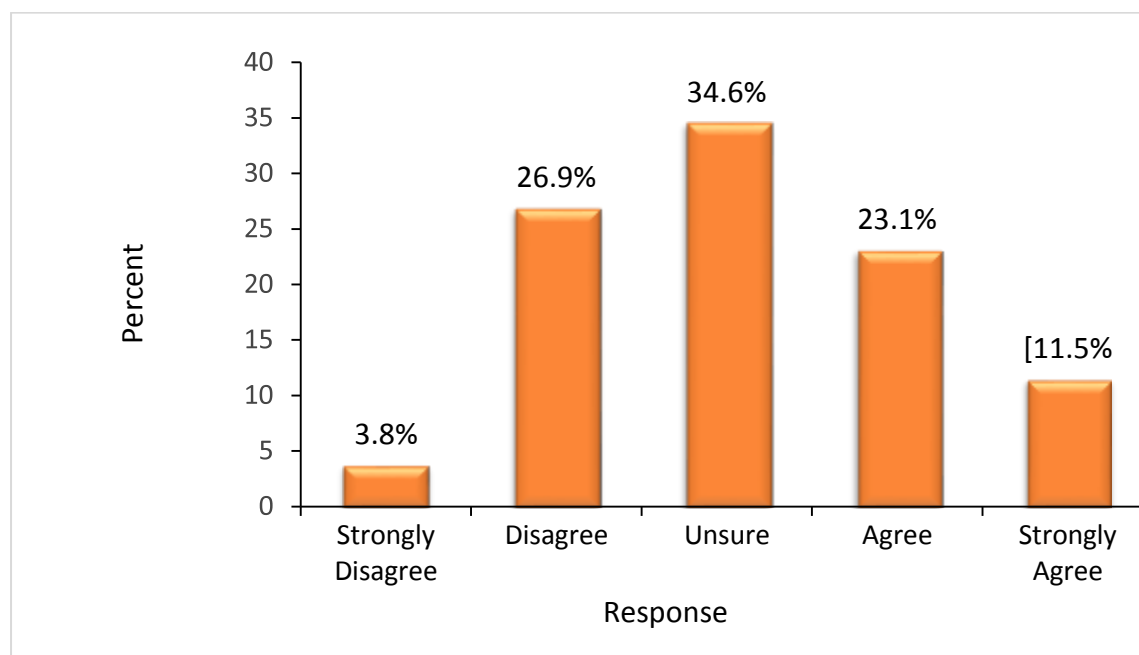
#### ***4.4.1 INTERNAL FACTORS: ENTREPRENEURIAL ORIENTATION***

The internal factors are analysed using data collected in the survey through Likert-scales that ranged from a minimum score of 1, which denotes “strongly disagree” to a maximum score of 5 which implies “strongly agree”. The analysis of these factors uses both graphs and simple tabulations to show the relative mean index scores per each surveyed factor as well as for the composite factors.

##### ***4.4.1.1 EDUCATION***

Respondents were asked to indicate their level of agreement on how their qualification had contributed to the growth of their business. The results are depicted in Figure 4.13.

**Figure 4.13: The perception regarding the relationship between qualification and business growth (n=26)**



It is observed from the results in Figure 4.13 that slightly more than a third of the respondents (34.6 percent) (9) agreed that their qualification had contributed to the growth of the company. This result concurs with the results on highest level of education completed where it was found that the majority of respondents, that is, 88.5 percent (23) had completed either a diploma or degree qualification. However, a further 34.6 percent (9) of respondents were unsure as to whether their qualification contributed to the growth of their business, while the remaining third disagreed.

#### **4.4.1.2 CULTURE**

Turton and Herrington (2012:24) define culture and social norms as the extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities which might, in turn, lead to greater dispersion in personal wealth and income. In Table 4.1 the results regarding entrepreneurship culture are presented.

**Table 4.1: Entrepreneurship culture**

Item	Percentage ( percent)						Total
	Frequency	Strongly disagree	Disagree	Unsure	Agree	Strongly agree	
Time is a limited resource	26	3.8	26.9	3.8	46.2	19.2	100
Being successful means making a lot of money	26	0	23.1	3.8	50	23.1	100
It is my duty to uphold the values and reputation of my family	26	0	11.5	7.7	69.2	11.5	100
I feel threatened by unknown situation	26	7.7	50	7.7	34.6	0	100
I look at my own interest before considering other people	26	0	23.1	3.8	57.7	15.4	100
I believe in belonging to a group	26	0	11.5	7.7	65.4	15.4	100
Men dominate in material success	26	0	15.4	11.5	73.1	0	100
Enforcing rules with respect to employees helps	26	7.7	11.5	0	53.8	26.9	100

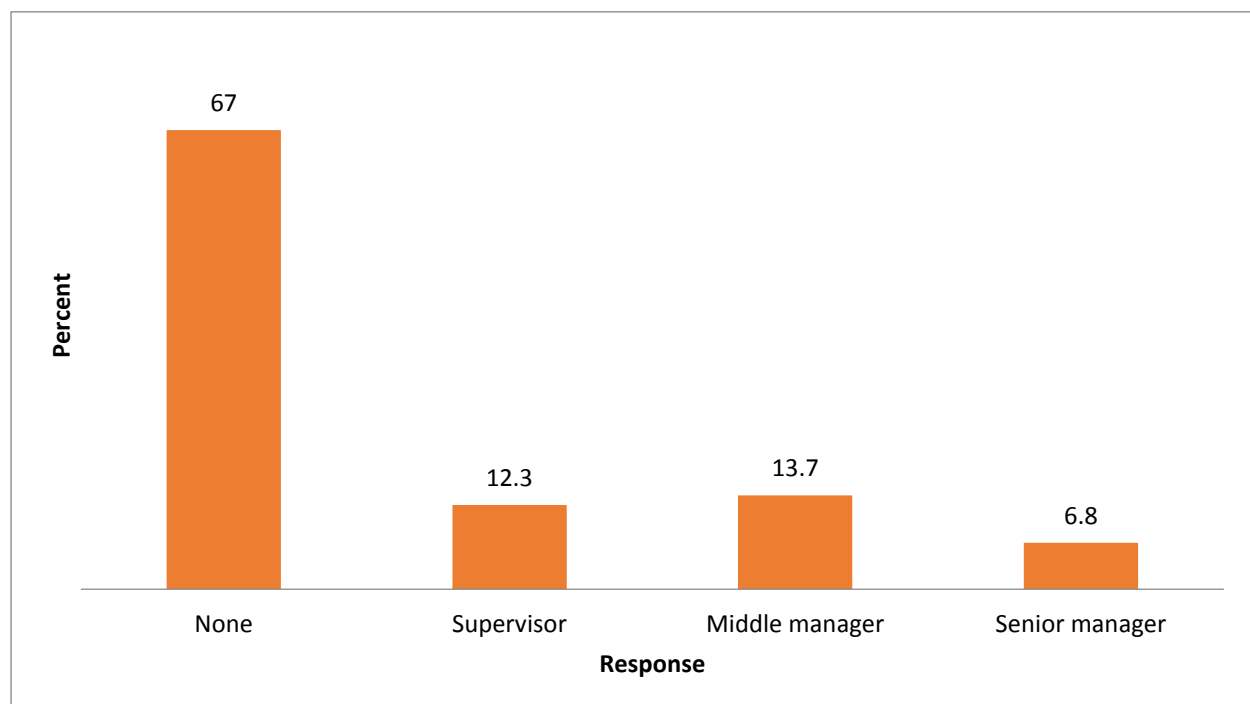
The results presented in Table 4.1 reveal that the respondents were positive about culture-related issues. Although the respondents were positive about the statement: “Time is a limited resource” (12 (46.2 percent) agree and 5 (19.2 percent) strongly agree but 7 (26.9 percent) disagree and 1 (3.8 percent) strongly disagree). The respondents were more confident about the fact that success means making more money; 73.1 percent agreed and strongly agreed. An even stronger perception was reflected concerning the statement: “It is my duty to uphold the values and reputation of my family” (69.2 percent) agree and 3 (11.5 percent) strongly agree but 3 (11.5 percent) disagree and 2 (7.7 percent) unsure). However, they were not quite confident about the statement: “I feel threatened by unknown situations” (13 (50 percent) disagree and 9 (34.6 percent) agree). With regard to “I look at my own interest before considering other people”, of the respondents 19 (57.7 percent) agree, 15.4

percent strongly agree) would first consider their own interest, but 6 (23.1 percent) disagree). This same sentiment was reflected concerning “I believe in belonging to a group” (17 (65.4 percent) agree and 4 (15.4 percent) strongly agree but 3 (11.5 percent) disagree); Three-quarters of the respondents agreed with the statement: “Men dominate in material success” (19 (73.1 percent) agree, 3 (11.5 percent) unsure and 4 (15.5 percent) disagree). The majority (21) agreed that “Enforcing rules with respect to employees help” (14 (53.8 percent) agree, 7 (26.9 percent) strongly agree). These results are similar to that found by Radipere (2014a:153) which show these cultural issues as predictors of business performance. These cultural-related issues may be seen as the encouragement to conduct business, which might lead to success.

#### **4.4.1.3 WORK EXPERIENCE**

Respondents were asked to indicate their level of managerial experience at the time they started the business. The results are depicted in Figure 4.14.

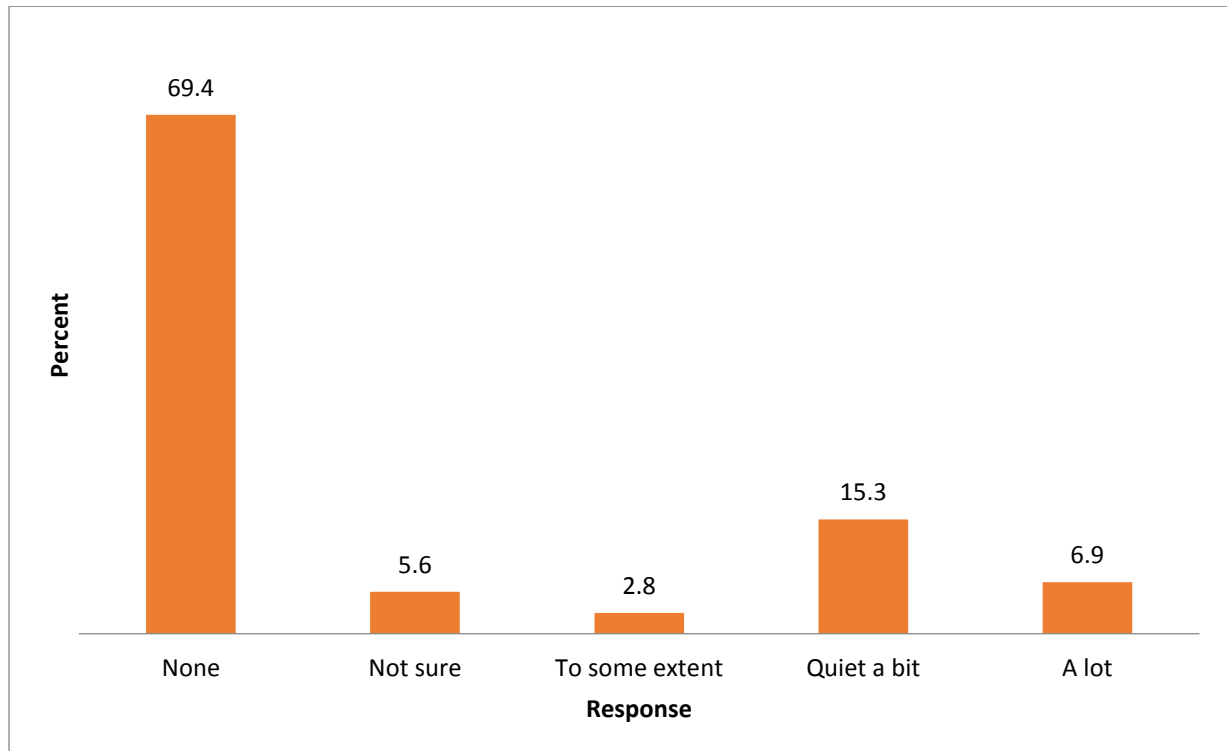
**Figure 4.14: The managerial experience of owners at the start of business**



The majority of respondents profiled in Figure 4.14 had no work experience at the time they started business (67.1 percent ‘none’, 13.7 percent ‘middle manager’, 12.3 percent ‘supervisor’ and 6.8 percent ‘senior manager’). This same perception was reflected concerning “When you started your business, how much previous experience in a similar business did you have” (69.4 percent ‘none’, 15.3 percent ‘quite a bit’, 6.9 percent ‘a lot’, 5.6 percent ‘not sure’ and 2.8 percent ‘to some extent’) (Figure 4.15). Mostly, they had no prior experience in a similar business and no managerial experience. This is similar to that found

by Gwija *et al.* (2014:17) which show that youth entrepreneurs in South Africa have no previous experience in the business industry of their choice.

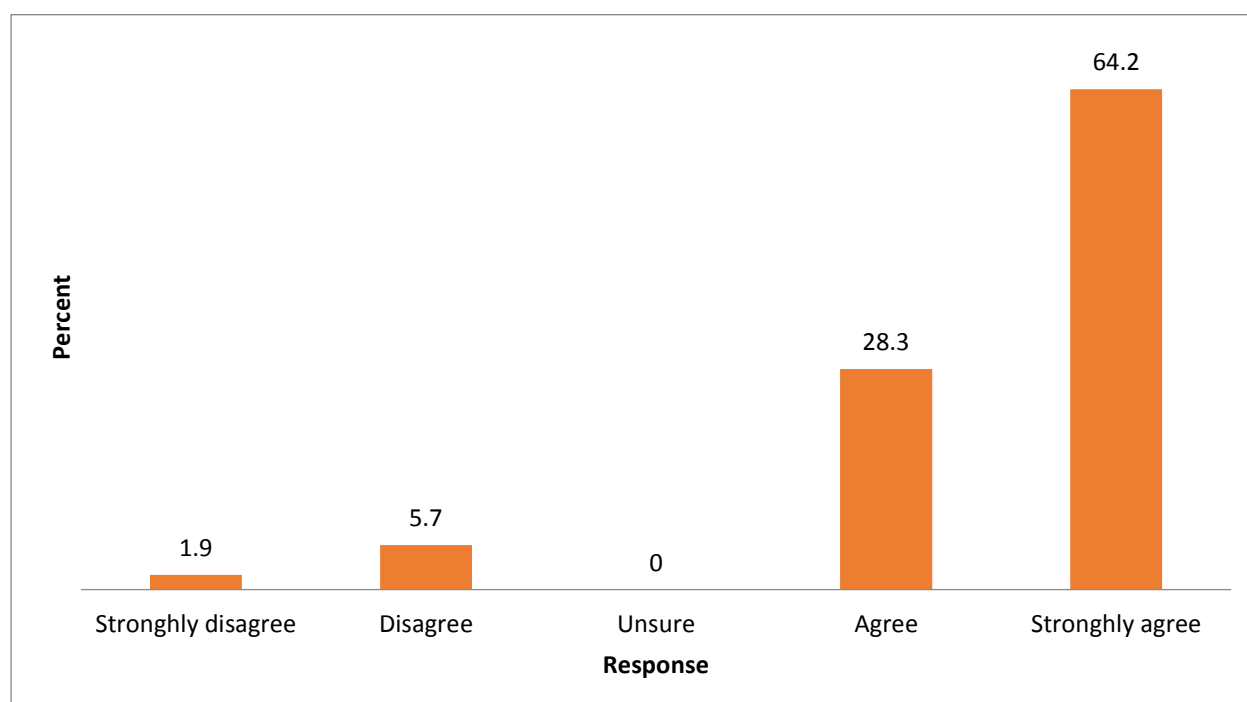
**Figure 4.15: Owner's experience at the start of business**



#### **4.4.1.4 PERSONAL ENTREPRENEURIAL ORIENTATION**

The respondents were asked to indicate by 'yes' or 'no' whether they had introduced any new products or services which were unavailable during initial business start-up. The results in Figure 4.16 reveal that majority of the respondents introduced a new product or service which was not available during initial business start-up (71.8 percent 'yes', 28.2 percent 'no'). The respondents were further asked to indicate the extent to which they 'strongly disagree' to 'strongly agree' with the question relating to the level in which the new product or service improved the performance of business. The results are depicted in Figure 4.16.

**Figure 4.16: The improvement of the business performance by new product or service**



The results in Table 4.6 reveal that the respondents were very positive about the statement “the product or service improved the performance of business” (64.2 percent ‘strongly agree’, 28.3 percent ‘agree’). These results are similar to that found by Keh, Nguyen and Ng (2007:609) which show that entrepreneurial orientation plays an important role in enhancing firm performance.

The results indicate that entrepreneurial characteristics are evident in the respondents. An *entrepreneur* refers to a person who relentlessly focuses on an opportunity, either in a new or existing enterprise, in order to create value while assuming both the risk and reward for his or her efforts (Moore *et al.*, 2008:5) (section 1.8.1).

In summary, from the results pertaining to the internal factors that impact on an entrepreneurial venture, it follows that the youth entrepreneurs surveyed have diploma level of education; they are positive about their culture-related issues regarding entrepreneurship; and they lack work experience. The youth businesses are very small and employ fewer than five employees despite the level of education and positive cultural issues. This may be ascribed to external factors.

## 4.5 EXTERNAL FACTORS: SUPPORTIVE ENVIRONMENT AND COOPERATIVE ENVIRONMENT

The second research question is addressed in this section.

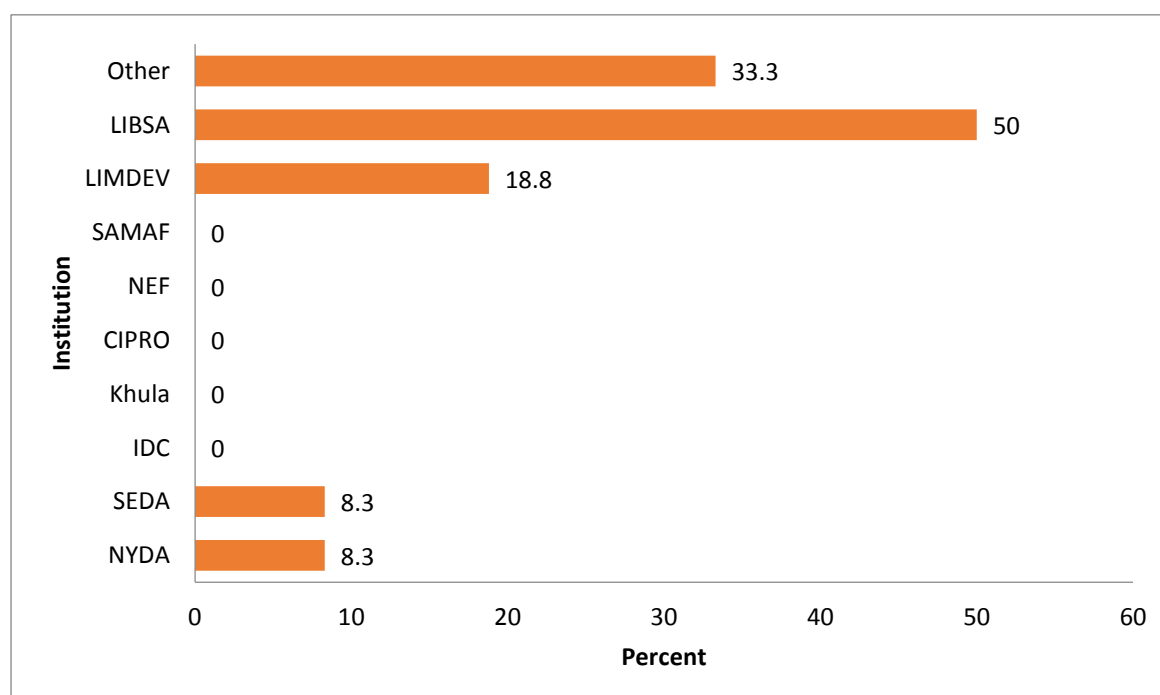
### 4.5.1 SUPPORTIVE ENVIRONMENT

Support services refer to the services that are offered to youth entrepreneurs, the provision of mentoring programmes that match experienced entrepreneurs, business leaders and business professionals to youth entrepreneurs at the time of starting and stabilising the business. In this section, the results with regard to mentorship, training, role models, networking and access to funds are presented and interpreted.

#### 4.5.1.1 MENTORSHIP

Respondents were asked to indicate which institution provided them with the mentorship. All respondents had received mentorship and were included in the sample. The results are depicted in Figure 4.17.

**Figure 4.17: Institutions that provided mentorship to owners of small businesses**



Half of the respondents represented in Figure 4.17 received mentorship from Limpopo Business Support Agency (LIBSA) (50 percent), followed by a third who received mentorship from other organisations. Although, respondents were asked to specify the 'other', this did not happen. This implies that youth entrepreneurs need a mentorship to ensure the best possible chance of sustaining and growing their businesses. In the Table 4.2, the results regarding mentorship contribution to the owners of small business are presented.

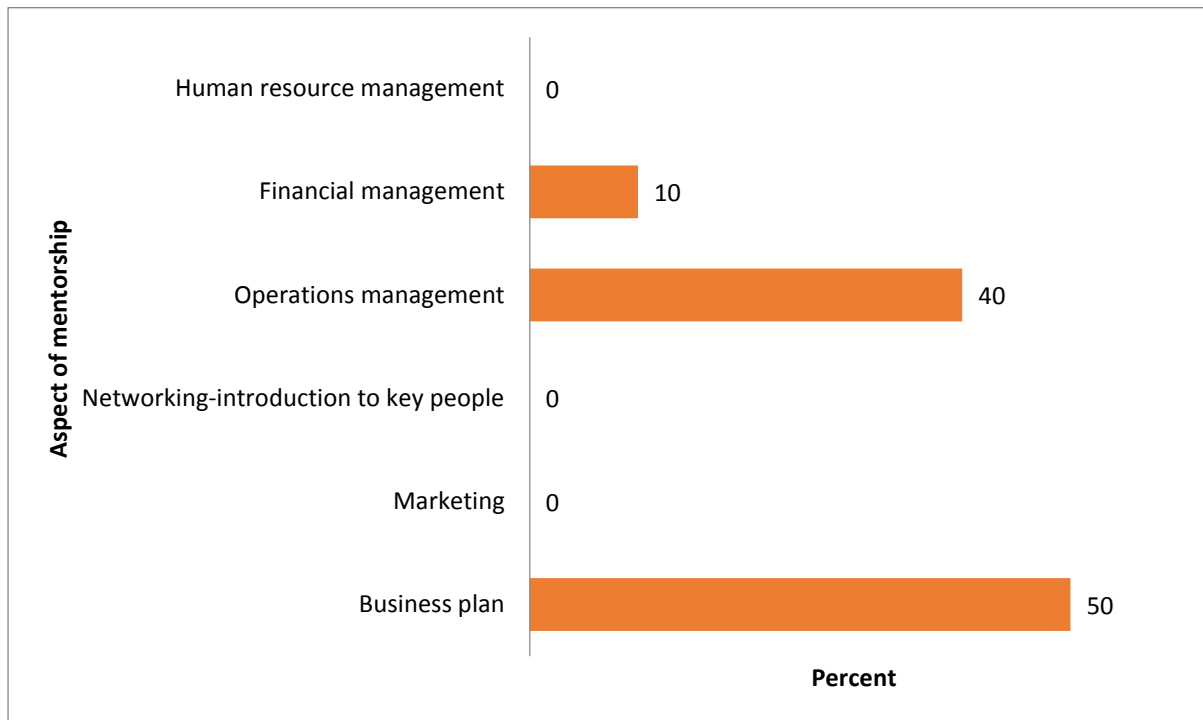
**Table 4.2: Mentorship contribution to the owners of small businesses**

Item	Percentage ( percent)						Total
	Frequency	Strongly disagree	Disagree	Unsure	Agree	Strongly agree	
Did the mentorship help you to increase sales	26	20	0	0	80	0	100
Did the mentorship help you to increase profit	26	0	0	20	80	0	100
After the mentorship did you expand your business	26	0	33.3	16.7	50	0	100

The results in Table 4.2 reveal that the respondents were positive about the mentorship received in relation to growing their businesses. To the question, “Did the mentorship help you to increase sales?,” to which 21 (80 percent) agree, but only 5 (20 percent) strongly disagree. This same perception was reflected in response to the question: “Did the mentorship help you to increase profit?,” to which 21 (80 percent) agree and 5 (20 percent) are unsure). However, they were not sure about the question: “After the mentorship did you expand your business?,” to which 13 (50 percent) agree, 9 (33.3 percent) disagree, and 4 (16.7 percent) are unsure. Watson (2004:136) reported that entrepreneurship mentors play an active role in supporting South African entrepreneurs.

Based on a Five-Point Likert scale the respondents were asked to indicate the extent to which they ‘strongly disagree’ to ‘strongly agree’ with the questions relating to mentorship received. The respondents were asked to indicate: “What type of mentorship did you receive?” The results are depicted in Figure 4.18.

**Figure 4.18: The mentorship received by owners of small businesses (n=26)**

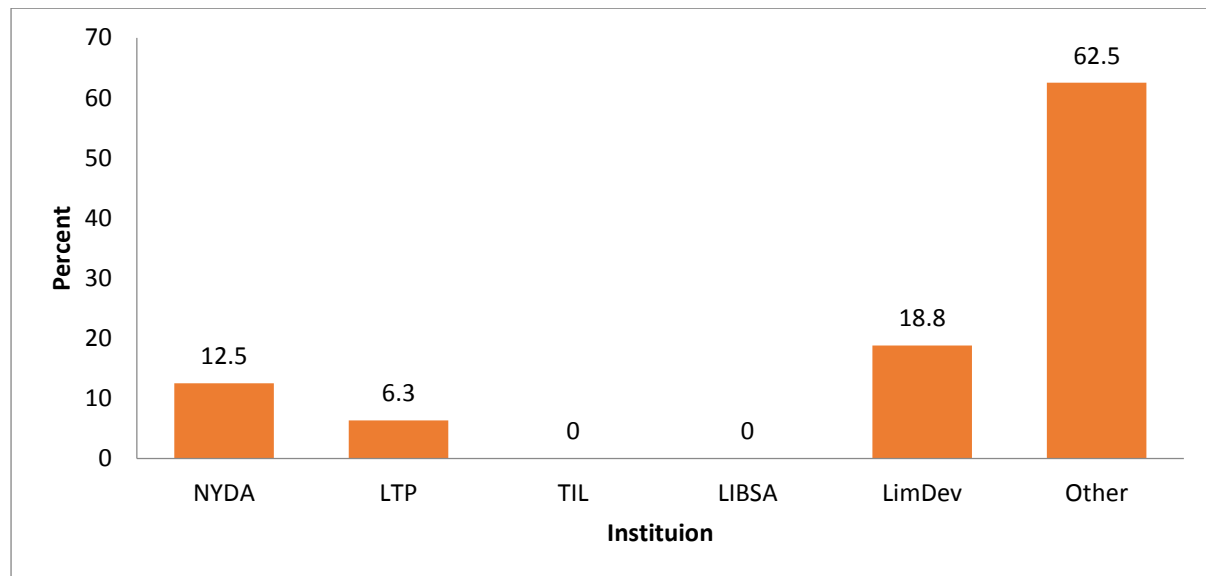


The results presented in Figure 4.18 reveal that half of the respondents receive mentorship on business planning (13, which is 50 percent), operations management (11, which is 40 percent), while only two received mentoring relating to financial management. However, a typical business plan does include a section on market analysis and financial planning. These results are similar to that found by Ladzani and Van Vuuren (2002:156) which show that general management, financial management, marketing management, production management, pricing calculations, costing and legal skills were covered rather than other categories of skills. Business mentorship refers to an ongoing, long-term business counselling relationship between an experienced business advisor and a client throughout the various stages of a business venture's growth (Nieman & Nieuwenhuizen, 2014:214).

#### 4.5.1.2 TRAINING

Respondents were asked to indicate which institution provided them with training. All respondents had received training and were included in the sample. The results are depicted in Figure 4.19.

**Figure 4.19: The institution that provided training to owners of small businesses (n=26)**



The results in Figure 4.19 reveal that majority of respondents received training from other institutions (“Which institution provided you with the training” (62.5 percent ‘other’, 18.8 percent ‘Limpopo Economic Development Enterprise’ 12.5 percent ‘National Youth Development Agency’ and 6.3 percent ‘Limpopo Tourism and Parks Board’). Most of the training received from other such as Department of Agriculture, South African Breweries’ Kickstart programme, Gordon Institute of Business Science and Technosaurus. It follows that about two-thirds of the respondents did not receive training from the LimDev, LIBSA, TIL, LTP and NYDA that are situated in Limpopo and aimed at developing small businesses. With regard to the training in relation to business growth, the respondents were asked to indicate the extent to which they ‘strongly disagree’ to ‘strongly agree’ with the questions relating to training received in relation to growing business.

**Table 4.3: The training received in relation to business growth (n=26)**

Item	Percentage ( percent)						Total
	Frequency	Strongly disagree	Disagree	Unsure	Agree	Strongly agree	
Did the training help you to increase sales?	26	0	12.5	0	75	12.5	100
Did the training help you to increase profit?	26	0	12.5	0	75	12.5	100
After training did you have better control over the cash flow of your business	26	0	12.5	0	75	12.5	100
After the training, did you expand your business?	26	0	12.5	0	75	12.5	100
During the training, I was allowed to apply the knowledge in practice (in my business).	26	0	12.5	0	75	12.5	100

The results in Table 4.3 reveal that the 26 respondents were positive about the received training. “Did the training help you increase sales” (20 (75 percent) agree, 3 (12.5 percent) strongly agree but 3 (12.5 percent) disagree), “During the training, I was allowed to apply the knowledge in practice in my business” (20 (75 percent) agree, 3 (12.5 percent) strongly agree but 3 (12.5 percent) disagree). These results are similar to that found by Swanepoel (2008:26) which show that 58 percent (32 percent ‘substantially plus 26 percent ‘quite a bit) of the respondents indicated that their businesses had expanded substantially after they had received training in business skills, while a further 26 percent indicated that their businesses expanded ‘quite a bit’.

Moreover, the respondents were asked to indicate how well business skills were covered in the training. The results are depicted in Table 4.4.

**Table 4.4: The business skills (n=26)**

Item	Percentage ( percent)						Total
	Frequency	Strongly disagree	Disagree	Unsure	Agree	Strongly agree	
During the training, how well were each of the following skills covered?							
General management	26	25	0	0	12.5	62.5	100
Marketing management	26	25	12.5	0	0	62.5	100
Legal skills	26	37.5	37.5	12.5	0	12.5	100
Operational management	26	25	12.5	12.5	0	50	100
Human resource management	26	50	12.5	12.5	12.5	12.5	100
Communication skills	26	50	25	0	0	25	100
Business plan	26	25	0	0	0	75	100
Financial management	26	25	0	0	0	75	100
Cash flow management		12.5	12.5	0	0	75	100

The results presented in Table 4.4 reveal that the majority of the respondents were positive about how well business skills were covered except for the legal skills (10 (37.5 percent) disagree, 10 (37.5 percent) strongly disagree); communication skills (13 (50 percent) strongly disagree, 7 (25 percent) disagree) and human resources management (4 (50 percent) strongly disagree). However, they were not quite so sure about “During training how well was operational management skill covered” (13 (50 percent) strongly agree, 7 (25 percent) strongly disagree, 3 (12.5 percent) disagree and 3 (12.5 percent) unsure). The same perception was reflected in business plan (20 (75 percent) strongly agree); financial management (20 (75 percent) strongly agree); cash flow management (20 (75 percent) strongly agree) and marketing management (16 (62.5 percent) strongly agree). These results are similar to that found by Ladzani and Van Vuuren (2002:156), which show that general management, financial management, marketing management, production management, pricing calculations, costing and legal skills were covered.

#### 4.5.1.3 FAMILY AND ROLE MODEL

Respondents were asked to indicate their role model at the time they started the business. The results in Table 4.5 reveal that nearly two-thirds of the respondents had a role model at the time they started their business “At the time you started your business, did you have a role model” (53.8 percent ‘yes’, 46.1 percent ‘no’). Although the respondents had a role model, the majority of respondents were unsure of the majority of listed role models. The results are depicted in Table 4.5.

**Table 4.5: Role models (n=14)**

Item	Percentage ( percent)						Total
	Frequency	Strongly disagree	Disagree	Unsure	Agree	Strongly agree	
Who (role model) influence you to grow your business							
Parents and family	14	6.3	6.3	0	37.5	50	100
Teachers and lectures	14	50	28.6	0	21.4	0	100
Career advisor	14	64.3	21.4	7.1	7.1	0	100
Entrepreneurs	14	35.7	0	7.1	21.4	35.7	100
Media (TV, Radio, Internet) covered of business and people business	14	71.4	14.3	0	7.1	7.1	100

The majority of the respondents in Table 4.5 were fairly unsure about all listed role models except for the parents and family. “Parents and family influence to grow business” (7 (50 percent) strongly agree, 5 (37.5 percent) agree), they were not quite so sure about “Entrepreneurs influence to grow business” (5 (35.7 percent) strongly disagree, 3 (21.4 percent) agree, 5 (35.7 percent) strongly disagree). With regard to all the other listed role models, the majority (around 50-71 percent) of respondents were fairly negative). From the responses, it follows that parents and family were at the top of the list of influencers to grow their businesses, followed by entrepreneurs, and then teachers and lecturers. These results are similar to that found by Rahmawati *et al.* (2012:465) which show that the children of self-employed parents are over-represented among firm owners.

The findings have shown that nearly two-thirds of respondents had a role model at the time they started their business; parents and family were at the top of the list of influencers to grow their businesses, followed by entrepreneurs, and then teachers and lecturers. The

implication of these findings is that there is a need for role models. Hindle and Klyver (2007:236) found that media coverage of stories portraying successful entrepreneurs are positively correlated with young business start-up activity and total early stage opportunity based entrepreneurial activity. In addition, the presence of role models boosts youth entrepreneurs' confidence in their ability to start and run business ventures (Beeka & Remington, 2011:160). Successful youth business owners should be identified and given awards by government. This would encourage other youth business owners to run businesses with confidence.

#### **4.5.1.4 NETWORKING**

Respondents were asked to indicate their involvement in business networks. The majority of the respondents were not involved in networking "Are you involved in business networks" (57.6 percent 'no', 42.3 percent 'yes'). Moreover, based on a five-point Likert scale, respondents were asked to indicate the extent to which they 'strongly disagree' to 'strongly agree' with the questions relating to the networking in growing the business. The results are depicted in Table 4.6.

**Table 4.6: Networking (n=11)**

Item	Percentage ( percent)						Total
	Frequency	Strongly disagree	Disagree	Unsure	Agree	Strongly agree	
Did the networking help you to increase sales?	11	16.7	16.7	0	25	41.7	100
Did the networking help you to increase profit?	11	9.1	18.2	0	27.3	45.5	100
Did your network help you to expand your business?	11	9.1	18.2	0	27.3	45.5	100

The results in Table 4.6 reveal that respondents involved in networking were very positive about business networks, "Did the networking help you to increase sales" (5 (41.7 percent) strongly agree, 3 (25 percent) agree but 2 (16.7 percent) strongly disagree and 2 (16.7 percent) disagree. This same perception was reflected concerning ("Did the networking help you to increase profit" (5 (45.5 percent) strongly agree, 3 (27.3 percent) agree but 2 (18.2 percent) disagree) as well as "Did your networks help you to expand your business" (5 (45.5 percent) strongly agree, 3 (27.3 percent) agree but 2 (18.2 percent) disagree). These results

are similar to that found by Odhiambo (2013:7) which show that 76 percent of young entrepreneurs indicated that networking influenced their business performance in Kenya.

#### **4.5.1.5 ACCESS TO FINANCE**

Respondents were asked to indicate access to finance at the time they started the business. Two-thirds of the respondents did not obtain money from someone “At the time you started your business, did you obtain money from someone (family, bank, government and Non-Government organisation)” (57.6 percent ‘no’, 42.3 percent ‘yes’). Moreover, the respondents were asked to indicate how much money they needed (options: nothing, about a quarter of the money I needed, half the money I needed, about three quarters of the money I needed and all the money I needed) at the time they started the business. The results are depicted in Table 4.7

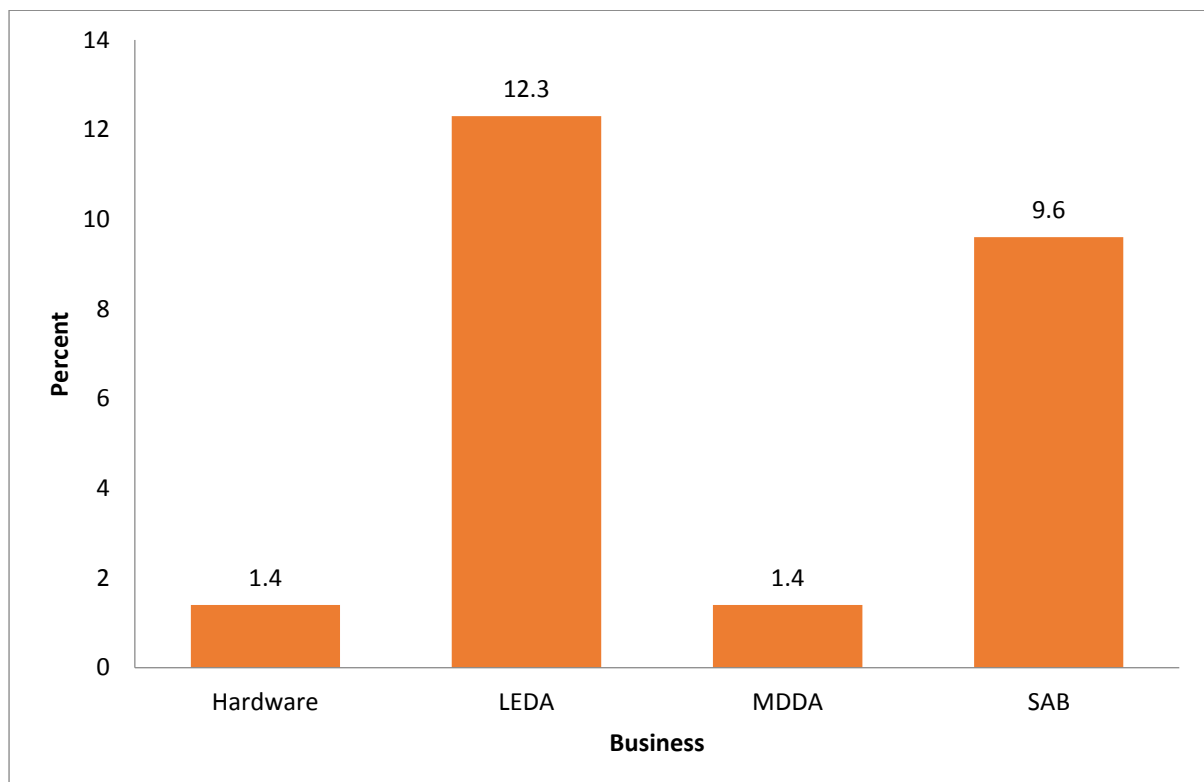
**Table 4.7: Access to finance (n=11)**

Item	Percentage ( percent)						Total
	Frequency	Nothing	About a quarter of the money I needed	Half the money I needed	About three quarters of the money I needed	All the money I needed	
Borrowed money from family	11	58.3	16.7	0	0	25	100
Borrowed money from friends or personal contacts	11	90.9	0	9.1	0	0	100
Borrowed from the government (for example, NYDA)	11	90.9	0	9.1	0	0	100
Borrowed from the banks	11	90.9	0	9.1	0	0	100
Borrowed from micro-credit institutions	11	90.9	0	9.1	0	0	100
Borrowed from cooperatives	11	90.9	0	9.1	0	0	100
Borrowed from NGOs	11	90.9	0	9.1	0	0	100

The results in Table 4.7 reveal that the respondents obtained ‘nothing’ from majority of listed institutions that provide finance. Although respondents were negative about “Borrowed

money from family” (6 (58.3 percent) nothing, 2 (16.7 percent) about a quarter of the money I needed, 3 (25 percent) all the money I needed). With regard to all the other listed institution, the majority (around 90-100 percent) of the respondents claimed to have obtained nothing. This is similar to that found by Chimucheka and Rungani (2011:5513) which show that 79 out of 109 SMMEs once applied for bank finance but only 8 (10 percent) managed to access it. The results are depicted in Figure 4.20 for other institutions providing finance to business owners.

**Figure 4.20: Other that businesses provided finance to surveyed business owners (n=26)**



In summary, from the results pertaining to the external factors that impact on an entrepreneurial venture, it follows that the youth entrepreneurs surveyed receive mentorship and training; they lack networking and funding; and majority of youth entrepreneurs cited parents and family as their role models. Most of the training was received from other institutions such as Department of Agriculture, South African Breweries’ Kickstart programme, Gordon Institute of Business Science, and Technosaurus.

## 4.6 BUSINESS ENVIRONMENTAL CHALLENGES

In this section, the results with regard to government regulation, crime and corruption are presented and interpreted.

### 4.6.1 GOVERNMENT REGULATION

The respondents were asked to indicate the extent to which components of laws affect the business growth. The results are depicted in Table 4.8.

**Table 4.8: The components of laws that affect youth business growth in South Africa (n=26)**

Item	Percentage ( percent)						Total
	Frequency	Not at all	Little	Unsure	Some what	Seriously	
National trade policy	26	24	0	4	8	64	100
Taxes	26	53.8	3.8	0	15.4	26.9	100
Competition	26	61.5	0	0	7.7	30.8	100
Subsidy policy	26	76.9	3.8	0	44.5	7.5	100
Compliance costs	26	46.2	3.8	3.8	15.4	30.8	100
Efficiency costs	26	57.7	0	3.8	15.4	23.1	100

The results in Table 4.8 reveal that the respondents indicated that laws did not affect their business negatively except for national trade policy (16 (64 percent) seriously but 6 (24 percent) not at all), they were not quite so sure about “How do you rate compliance costs with regard to your business growth” (4 (15.4 percent) somewhat, 8 (30.8 percent) seriously’ but 12 (46.2 percent) not at all). In contrast, these results are contradictory to those of Clemensson and Christensen (2010:4-5) which show that the administrative and regulatory burdens such as business registration, the time it takes to register, the cost, number of steps or procedures, minimum capital requirements, as well as property rights have a disproportionally negative impact on youth owned businesses, which are more likely to remain informal as a result.

The business turnover of surveyed businesses ranged from R21 333 to R154 705 (section 4.2). For this reason, tax incentives were announced for so-called small business corporations (SBC). The SBC in section 12E (4) of the Income Tax Act stipulates zero percent tax for small businesses between (R0-R70 700) and 7 percent of the amount above R70 700 for R70 701-R365 000 (Davis Tax Committee, 2014:15). Half of the respondents

indicated that tax had no effect while a quarter indicated that it had a serious effect; it would obviously depend on their turnover level.

#### **4.6.2 CRIME AND CORRUPTION**

The respondents were asked to indicate whether they experienced crime and corruption during their business operations. The results are depicted in Table 4.9.

**Table 4.9: Crime and corruptions in small businesses (n=26)**

Item	Percentage ( percent)						Total
	Frequency	None	Little	To some extent	Quite a Bit	A lot	
When you started your business, did you experience crime (for example, burglary and vandalism)?	26	26.9	7.7	19.2	11.5	34.6	100
When you started your business, did you experience corruption?	26	19.2	3.8	15.4	38.5	23.1	100

The results in Table 4.9 reveal that three-quarters of the respondents had experienced crime ranging from a little to a lot, with a third experiencing a lot of crime. “When you started your business, did you experience crime” (9 (34.6 percent) a lot, 3 (11.5 percent) quite a bit, 5 (19.2 percent) to some extent, 7 (26.9 percent) none). This is indeed the case in the South African situation. These results are similar to that found by Radipere and Van Scheers (2005:408) which show that two out of five businesses are affected by crime in South Africa. With regard to corruption, about 80 percent had experienced corruption ranging from a little to a lot with about a quarter experiencing a lot of corruption “When you started your business, did you experience corruption” (6 (23.1 percent) a lot, 10 (38.5 percent) quite a bit, 4 (15.4 percent) to some extent, 1 (3.8 percent) little, 5 (19.2 percent) none). These results are similar to that found by Beck *et al.* (2005:162) which shows that small and medium-sized firms are negatively affected by corruption.

#### **4.7 BUSINESS SUCCESS OF YOUTH ENTREPRENEURSHIP**

Based on a five-point Likert scale, the respondents were asked to indicate the extent to which they ‘strongly disagree’ to ‘strongly agree’ with the questions relating to business performance. The results are depicted in Table 4.10.

**Table 4.10: Business success of youth entrepreneurship (n=26)**

Item	Percentage ( percent)						Total
	Frequency	Strongly disagree	Disagree	Unsure	Agree	Strongly agree	
I am satisfied with the profitability of the business.	26	11.5	61.5	0	26.9	0	100
I am satisfied with the sales growth of the business in the last three years.	26	11.5	30.8	0	50	7.7	100
I am satisfied with the performance of the business.	26	3.8	26.9	0	61.5	7.7	100
I am satisfied with the overall performance of the business.	26	7.7	30.8	0	53.8	7.7	100

The results in Table 4.10 reveal that the respondents were positive about the business performance with the exception of “I am satisfied with the profitability of the business” (16 (61.5 percent) disagree, 3 (11.5 percent) strongly disagree but 7 (26.9 percent) agree). With regard to all the other listed, the majority (around 50-60 percent) of the respondents claimed to have been satisfied with the business performance.

In summary, from the results pertaining to the business environmental factors that impact on an entrepreneurial venture, it follows that the youth entrepreneurs surveyed experience serious crime and corruption.

## **4.8 CONCLUSION**

In this chapter, the main results of the study are presented. The relevant data was obtained and explained by means of descriptive statistical analysis, namely, tabulations and graphical illustrations. The objectives of the study were revisited. The demographic characteristics of the surveyed respondents showed a perfect gender balance. The youth entrepreneurs in the CDM find both internal and external factors very difficult in their efforts to grow their businesses.

It transpired that many youth entrepreneurs received business support from other institutions despite the availability of the LimDev, LIBSA, TIL, LTP and NYDA that are situated in Limpopo and are aimed at developing small businesses. This may be related to the fact that 61.5 percent of the surveyed businesses are in manufacturing. The study conducted by Mbedzi (2011:59) argued that some of the support agencies have a more generalist approach, resulting in them providing services in areas where they do not have the requisite expertise; for example, LIBSA also offer training and advisory services to agricultural

SMMEs. Moreover, Mbedzi (2011:59) argued that LimDev, through its subsidiaries, Risima Housing Finance, Mining Corridors and Great North Transport, is involved in sectors which are outside the scope of its mandate, which is to provide development finance to SMMEs. Chapter 5 will focus on the discussion of the results, conclusion and recommendations. The discussion of the results will follow the same pattern in which the results have been provided in the current chapter. The third performance measure of Baron and Tang was used to measure youth business performance. The conclusion will integrate details regarding the implications for youth entrepreneurial business performance from this study.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

In Chapter 4, the results of the data of the study were presented and interpreted. Although hypotheses were formulated, they were not tested because of the small sample size. In this chapter, the discussion of the implication of the results, conclusion and recommendations are discussed. The discussion of the results, conclusions and recommendations followed the same pattern in which the results have been provided. Lastly, the limitations, contribution of this study and further research areas are explained.

### **5.2 OVERVIEW OF THE STUDY**

In this section the literature review revisited, purpose and objectives of the study are discussed.

#### **5.2.1 THE LITERATURE REVIEW REVISITED**

In Chapter 1 and 2 of this dissertation, the literature review was covered. An entrepreneurship model was adapted and guided the logical flow of the research objectives. The research instrument was developed based on the literature review.

In Chapter 1, the background of youth owned-business was discussed. An analysis of youth owned-businesses in the CDM was of interest. The CDM is in the centre of the Limpopo and at the core of economic development in the Limpopo and includes the capital of the province, the City of Polokwane. The CDM has five local municipalities under its jurisdiction, namely, Aganang, Blouberg, Lepelle-Nkupi, Molemole and Polokwane. In 2010, CDM recorded an unemployment rate of 22.3 percent and an unemployment rate that is lower than that of South Africa (24.7 percent), but higher than that of Limpopo (22.0 percent).

In Chapter 2, an entrepreneurship model as suggested by Nieman and Nieuwenhuizen (2014) was adapted in order to guide the collection of information and to evaluate the influence of the youth business environment in the CDM of Limpopo.

#### **5.2.2 PURPOSE AND OBJECTIVES OF THE STUDY**

The study purposed to analyse youth entrepreneurship business performance in the CDM in Limpopo. The study sought to determine whether internal factors such as education, culture, work experience and personal orientation influence the performance of youth-owned businesses in the CDM. Moreover, to investigate if external factors (a supportive and cooperative environment): mentorship, role model, networking, access to finance, government regulation, training and institutions that are involved, in, and assist with new

firms influence the performance of youth-owned businesses in the CDM. Moreover, the study aimed to assess whether government regulation, crime and corruption, marketing environment, business location and availability of start-up financing influence the performance of youth-owned businesses in the CDM. The research used a census survey, and primary data was obtained through questionnaires. The respondents for this study were 26 youth entrepreneurship business units in CDM, Limpopo, South Africa.

### **Recapitulation of objectives**

The research objectives of the study were:

- to determine if internal factors (work experience, culture and education) influence the performance of youth-owned businesses in the CDM;
- to investigate if external factors (role models and mentorship, networking) influence the performance of youth-owned businesses in the CDM; and
- to assess whether government regulation, crime and corruption, marketing environment, business location and availability of start-up financing influence the performance of youth-owned businesses in the CDM.

In order to achieve the purpose (primary objective), secondary objectives had to be accomplished. In this section, interventions are evaluated.

#### **5.2.2.1 DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

The respondents for this study were 26 youth entrepreneurship business units in CDM in Limpopo. It was difficult to obtain a higher number of interviewees representing the business units; hence the smaller realised sample size for this study. A total number of 83 youth-owned businesses were targeted based on the two databases provided by LEDA. However, many businesses were duplicated on the two lists.

A summary of the demographic profile of the respondents:

- **Age distribution of respondents**

Half of the respondents (13) were aged between 25 and 29 years, while 11.5 percent were even younger and aged between 18 and 24 years (Figure 4.1). A further 38.5 percent were between the ages of 30 and 35 years.

- **Gender distribution of respondents**

The distribution of the respondents by gender shows that there was equal gender balance in the participants for the study, with half of them being female and the remaining half being male (Figure 4.2).

- **Distribution of respondents by highest level of education completed**

The majority (19, which is 73.1 percent) of the respondents had completed diploma level of education. A few of the respondents had even obtained a degree-level qualification (4, which is 15.4 percent) but three had only completed grade 8-12 (3, which is 11.5 percent).

- **Distribution of respondents by nature of industry**

The majority of the business units (16, which is 61.5 percent) are in the manufacturing industry, followed by personal services (15.4 percent) and retail (11.5 percent). The lowest proportion are within the agriculture, construction and production services industry (1, which is 3.8 percent).

- **Business location**

Most of the businesses were in rural areas (22, which is 84.6 percent). The remaining businesses were in townships and CBD in Polokwane.

- **Type of ownership**

The results show that the majority of the surveyed youth entrepreneurship businesses are close corporations (20, which is 76.99 percent). Private companies constitute the lowest percentage (1, which is 3.8 percent).

- **Year business started operating**

The age of the businesses ranged between four and nine years with all the businesses being in operation for at least four years.

- **Number of employees by type of ownership**

The average number of employees for the surveyed youth entrepreneurship businesses has increased by 25.6 percent from 2012 to 2013. This was followed by another increase of 22.4 percent during 2013-2014. The results further indicate that there was a decrease of 1.7 percent during the 2014-2015 year.

- **Business turnover per annum by type of ownership**

Close Corporations reported the highest mean in terms of business turnover per annum for this type of ownership, R154 705 a year. The lowest business turnover was reported by respondents from Sole Ownership who reported a mean turnover of R21 333 a year.

- **Business turnover per year from 2012 to 2014**

There was growth in business turnover regarding sales for the surveyed youth entrepreneurship from 2012 to 2013 of 61.9 percent. This was followed by growth of only 7.5 percent during the 2013 to 2014 year.

- **Profit per annum**

There has been an increase from 2012 to 2013 in the profit among the surveyed youth business entrepreneurs of 4.5 percent. This was followed by another percentage increase in profits from 2013-2014 of 9.6 percent.

#### **5.2.2.2 INTERNAL FACTORS**

In this section, entrepreneurial orientation factors, such as education, culture, work experience and personal entrepreneurial orientation are discussed.

##### **a) Education**

The results of the study indicate that owners of small businesses had completed diploma level of education. However, the results refute that found by FinScope (2010:21), which indicated that the South Africa small business owners in Limpopo mostly achieved primary school level qualification.

Slightly more than a third of the respondents (34.6 percent) (9) agreed that their qualification had contributed to the growth of the business. It seems that the more education for youth entrepreneurs, the better business performance. In addition, Chimucheka (2013:162) found that SMMEs operated by owners or managers with proper entrepreneurial skills can survive for longer than those who did not receive entrepreneurship education. The owner's higher qualification contributes to better business performance (Radipere & Dhliwayo, 2014:108).

However, two-thirds did not agree. It seems that youth may still run successful businesses without qualification. The DTI (2005-2007:80) in the annual review of small business in South Africa 2005-2007 found that 45 percent of small business owners in South Africa are in possession of a Grade 12 qualification.

##### **b) Culture**

The construct 'culture' was measured using eight statements. The responding business owners were positive about their cultures pertaining to the following statements: "Time is a limited resource"; "Being successful means making a lot of money"; "It is my duty to uphold the values and reputation of your family"; "I look at my own interest before considering other people"; "I believe in belonging to a group"; "Men dominate in material success"; "I feel threatened by unknown situations"; "Enforcing rules with respect to employees helps". The results support that found by Radipere (2014a:153), which indicated that these cultural issues are predictors of business performance. It is essential to assess youth's level of attitudes and awareness as well as aspirations towards entrepreneurship.

### ***c) Work experience***

The youth entrepreneurs owning micro-businesses had no prior experience in a similar business and no managerial experience. The results corroborate those found by Gwija *et al.* (2014:17), which indicate that youth entrepreneurs in South Africa have no previous experience in the business industry of their choice. The respondents lack business management experience and previous experience in the business industry of their choice, but have achieved a diploma level of education (Figure 4.3). Successful business performance is the result of combination of industry knowledge and business skills. Providing youth entrepreneurs with work experience may be related to a business growth.

### ***d) Personal entrepreneurial orientation***

The majority of the respondents introduced a new product or service which was not available during initial business start-up (71.8 percent 'yes', 28.2 percent 'no'). The results indicate that entrepreneurial characteristics are evident in the respondents. Many respondents were very positive about "the product or service improved the performance of business" (64.2 percent 'strongly agree', 28.3 percent 'agree').

#### **5.2.2.3 EXTERNAL FACTORS**

In this section, external factors such as business support (mentorship, networking, and training), role model, government regulation, access to finance and crime and corruptions are discussed.

#### ***a) Business support***

The respondents were positive about the mentorship, training and networks received in relation to growing their business.

**Mentorship:** Half of the respondents received mentorship from LIBSA (50 percent) followed by a third who received mentorship from other organisations (Figure 4.17). Although, respondents were asked to specify the 'other', this did not happen. It is apparent that respondents are keen to receive mentorship. However, it seems that respondents are not aware or need the services provided by SEDA, NYDA, Khula, IDC, CIPRO, NEF, SAMAF and LimDev.

Respondents were positive about the mentorship received in relation to growing their business as elicited by the following questions: "Did the mentorship help you to increase sales?"; "Did the mentorship help you to increase profit?"; "After the mentorship did you expand your business?" Respondents report that they are satisfied with the mentorship

received, but this should be related to the fact that they lack work experience and managerial experience.

Half of the respondents receive mentorship on business plan (13, which is 50 percent), operations management (11, which is 40 percent), while only two received mentoring relating to financial management. However, a typical business plan does include a section on market analysis and financial planning. The results support that found by Ladzani and Van Vuuren (2002:156), who found that general management, financial management, marketing management, production management, pricing calculations, costing and legal skills were covered.

**Networking:** Eleven of the respondents (42.3 percent) out of 26 were very positive about business networks. This was elicited by the following questions: “Did the networking help you to increase sales?”; “Did the networking help you to increase profit?” and “Did your network help you to expand your business?” Of the respondents, 57.6 percent were not involved in business networks. It seems that respondents are not aware of or need the business networks. However, 42.3 percent were satisfied with the business networks which are supported by the findings of Odhiambo (2013:7), which showed that 76 percent of young entrepreneurs indicated that networking influenced their business performance in Kenya.

**Training:** Two-thirds of respondents did not receive training from the LimDev, LIBSA, TIL, LTP and NYDA, which aimed at developing small businesses in Limpopo. Most of the training received from ‘other’ providers of training included the Department of Agriculture, South African Breweries’ Kickstart Programme, Gordon Institute of Business Science and Technosaurus. It seems that respondents are not aware of or need the services provided by institutions, such as LimDev, LIBSA, TIL, LTP and NYDA.

Respondents were positive about the received training as elicited by the following questions and a statement: “Did the training help you to increase sales?”; “Did the training help you to increase profit?”; “After training did you have better control over the cash flow of your business?”; “After the training did you expand your business?” and “During the training, I was allowed to apply the knowledge in practice (in my business)”. Similar results were found by Swanepoel (2008:26) with 58 percent (32 percent ‘substantially plus 26 percent ‘quite a bit) of the respondents indicating that their businesses had expanded substantially after they had received training in business skills, while a further 26 percent indicated that their businesses expanded ‘quite a bit’.

The majority of the respondents in this study held positive views about how well general management, marketing management, operational management, human resource management, communication skills, business plan, financial management and cash flow management were covered in the training except for the legal skills.

### ***b) Role model***

Nearly two-thirds of the respondents had a role model at the time they started their business. Parents and family were at the top of the list of influencers to grow their businesses, followed by entrepreneurs, and then teachers and lecturers. The results corroborate those found by Rahmawati *et al.* (2012:465) which showed that the children of self-employed parents are over-represented among firm owners. Of the respondents, 46.1 percent had no role model. Therefore, the presence of role models is required to facilitate the ability of youth entrepreneurs to run successful small businesses.

### ***c) Government regulations***

The results indicate that laws (such as taxes), competition, subsidy policy, and compliance and efficiency costs had no negative effect on the businesses of respondents with exception of national trade policy (16 (64 percent) seriously but 6 (24 percent) not at all. Half of the respondents indicated that tax had no effect while a quarter indicated that it had a serious effect, which would obviously depend on their turnover level (the business turnover of surveyed businesses ranged from 21 333 to 154 705) (section 4.2). The results do not support that found by Clemensson and Christensen (2010:4-5) which show that the administrative and regulatory burdens, such as business registration, the time it takes to register, the cost, number of steps or procedures, minimum capital requirements, as well as property rights, have a disproportionally negative impact on youth-owned businesses, which are more likely to remain informal as a result.

The various incentives to small businesses may be related to a high growth of youth owned-businesses.

### ***d) Access to finance***

Two-thirds of the respondents did not obtain money from family, friends or personal contacts, the government (for example, NYDA), the banks, micro-credit institutions, cooperatives and NGOs. The results corroborate that found by Chimucheka and Rungani (2011:5513) which showed that 79 out of 109 SMMEs once applied for bank finance but only 8 (10 percent) managed to access it.

Rachidi (2014:1262) reported that businesses which may provide access to finance do exist. Furthermore, Rachidi (2014:1262) reported that support agencies or institutions which may provide access to finance are not known to youth entrepreneurs, and even those that are known are still not used. Moreover, lack of collateral security is the reason youth entrepreneurs may not access the funds (Agwu, 2014:104). This may impact on the ability to expand the business or may slow the growth of businesses; an inability to compete with bigger firms in the market; an inability to employ skilled labour; failure to register; poor quality

goods or services; poor marketing and bad reputation. Therefore, access to finance may be related to high growth of youth businesses.

**e) Location of the business**

The results of the study indicate that many businesses were in rural areas. The results corroborate those found by Maas and Herrington (2007:31) which indicated that youth-owned businesses are operated from home. Many small businesses in Limpopo are in the rural areas, which might impact on the growth of small businesses. Locating business in a shopping or suburban retail centres may be related to a high growth of youth businesses.

**f) Crime and corruption**

Three-quarters of respondents had experienced crime ranging from a little to more, with a third experiencing more crime. The results corroborate those found by Radipere and Van Scheers (2005:408) which showed that two out of five small businesses are affected by crime in South Africa.

With regard to corruption, about 80 percent had experienced corruption ranging from a little to a lot with about a quarter experiencing a lot of corruption. The results corroborate those found by Beck *et al.* (2005:162) which show that small and medium-sized firms are negatively affected by corruption.

The smaller, one-owner and emerging black businesses are vulnerable to crime, which may have an impact on youth-owned businesses. The implementation of security measures may be of assistance and contribute to business growth.

### **5.3 YOUTH BUSINESS PERFORMANCE**

The average number of employees (using the Baron & Tang formula explained in section 2.8) for the surveyed youth entrepreneurship businesses has increased by 25.6 percent from 2012 to 2013. This was followed by another increase of 22.4 percent during 2013-2014. The results further indicated that there was a decrease of 1.7 percent during the 2014-2015 year. These results imply negative performance in terms of the employment in the CDM, which results in employing fewer than five employees.

### **5.4 CONCLUSIONS**

The results pertaining to the internal factors that impact on an entrepreneurial business venture, it follows that the youth entrepreneurs surveyed have diploma level of education; however, 34.6 percent (9) of respondents were unsure as to whether their qualification contributed to the growth of their business, while the remaining third disagreed. This may be related to mentorship received from LEDA (LIBSA 50 percent and LIMDEV 68.8 percent)

(Figure 4.17). LEDA has been established as a special purpose vehicle, culminating in the amalgamation of four historical agencies, namely: Trade and Investment Limpopo, the Limpopo Business Support Agency, the Limpopo Agribusiness Development Corporation and the Limpopo Economic Development Enterprise (LEDA, 2013/14:10), because, all the respondents are included in LEDA's incubation programme which focuses on mentoring and coaching; they are positive about their cultural related issues regarding entrepreneurship and they lack work experience. The youth businesses are very small and employ fewer than five employees despite the level of education and positive cultural issues.

With regard to external factors, the youth entrepreneurs surveyed receive mentorship and training, which is helping but not making a dramatic difference; they lack networking systems and funding; and majority of youth entrepreneurs cited parents and family as their role models. Lastly, the youth entrepreneurs surveyed are in manufacturing businesses located in the rural area and experienced serious crime and corruption.

Of the respondents, only 11.5 percent are aged between 18 and 24 years. Simpson and Christensen (2009:5) reported that young people between the ages of 18 and 24 years who are starting up businesses intend to create more employment opportunities than the other age groups, in middle to low-income countries. However, these age groups (18-24 years) may be at high school or tertiary.

The finding of the study shows a perfect gender balance in the participants for the study, with half of them being female and the remaining half being male and who had completed diploma level of education. The majority of their businesses are close corporations; this is because many of small businesses registered before 1 May 2011. The new Companies Act of 2008 stipulates that no new close corporations could be registered from 1 May 2011 and the provision is made by the new Act for close corporations to convert to private companies without any payment. However, the existing ones can continue to exist as close corporations (Companies Act, 71 of 2008). These businesses were established youth-owned businesses at the persistence stage, in operation for more than 42 months. However, these businesses are not growing. A high-growth business is defined as a business with average annualised growth greater than 20 percent per annum, over a three year period and with 10 or more employees at the beginning of the observation period (OECD, 2012:86).

The business turnover of their businesses ranged from 21 333 to 154 705. However, these businesses are not seriously affected by laws in the country because tax incentives were announced for so-called small business corporations (SBC). The SBC in section 12E (4) of the Income Tax Act stipulates zero percent tax for small businesses between (R0-R70 700) and 7 percent of the amount above R70 700 for R70 701-R365 000 (Davis Tax Committee,

2014:15). Half of the respondents indicated that tax had no effect while a quarter indicated that it had a serious effect; it would obviously depend on their turnover level.

Respondents were positive about the business performance with the exception of profitability. Everyone involved with youth entrepreneurs should understand the support required by them in order to grow business and contribute to the reduction of unemployment.

## **5.5 RECOMMENDATIONS**

In the section above, the discussions of the implication of the results are made. In this section, the possible interventions to the specific people involved in youth owned-businesses with regard to both internal and external factors are recommended.

### **5.5.1 Recommendations that apply to the demographic profile of youth entrepreneurs in the CDM**

In this section, recommendations following from the demographic profile of youth-owned business performance of the CDM are made.

- To encourage younger and aged between 18 and 25 years to engage in small businesses (currently at 11.5 percent).
- To encourage the youth who achieve primary level to enrol with colleges or universities for a diploma or degree (currently at 11.5 percent).
- To encourage youth to consider businesses from all other sectors (currently in the manufacturing industry).
- To consider business location in urban areas. Currently, more are in the rural area (22, which is 84.6 percent).
- To support these business with mentorship to continue operating. Currently, businesses are in operation for at least four years.

### **5.5.2 INTERNAL FACTORS**

In this section, the recommendations with regard to entrepreneurial orientation factors, such as education, culture, work experience and personal entrepreneurial orientation are made.

#### **a. Education of youth entrepreneurs**

The findings have shown that owners of small businesses had completed diploma level of education. Education is helping but not making a dramatic difference. Entrepreneurial education acts as a facilitator for entrepreneurial activities with the focus being to stimulate entrepreneurial activity and performance (Antonites, 2003:31). In the study of the education and training of entrepreneurs in Asia, Dana (2001:407) pointed out that the Entrepreneurship Development Institutes of India (EDII) campus invite youths for a 10-day period, during which they learn achievement, a concern for excellence, creativity, innovation, leadership, problem

solving, and system planning. The LEDA, SEDA and NYDA should develop such programmes. The government is urged to make sure that the curriculum develops the skills set needed to develop entrepreneurial attitudes among youth people, which include, decision making and networking, innovation, as well as risk assessment.

***b. Culture of youth entrepreneurs***

The findings have shown that small business owners were positive about their cultural issues. Schoof (2006:30) reported that it is important to know more about young people's attitude, awareness and aspirations towards entrepreneurship to promote an entrepreneurial culture among them before targeting them with particular interventions and initiatives to raise their entrepreneurial profile. The LEDA, SEDA and NYDA should develop such initiatives in the CDM.

***c. Work experience of youth entrepreneurs***

The findings have shown that owners of small businesses had no work experience. Entrepreneurs who are most likely to succeed are those who have gone on to training after school, and have work experience (Nieman & Nieuwenhuizen, 2014:28). In addition, Dencker, Gruber and Shah (2007:55) found that learning by doing promotes firm survival and can compensate for lower levels of prior knowledge and management experience. Moreover, McStay (2008:140) reported that work experience provides entrepreneurial skills and knowledge and enables an individual to learn from that experience and learn from entrepreneurial mentors. Support agencies should provide mentorship to youth entrepreneurs.

### **5.5.3 EXTERNAL FACTORS**

In this section, recommendations with regard to external factors, such as business support (mentorship, networking, and training), role model, government regulation, access to finance and crime and corruption, are made.

***a. Mentorship of youth entrepreneurs***

The benefits for the mentee in taking part in the programme are the improving of self-confidence and learning to cope with the business (Wasserfall, 2002:14). The support agencies are encouraged to identify well established business owners and match them with the youth business owners for mentorship and coaching, which would develop skills and confidence in running their businesses. In addition, the support agencies are encouraged to market their services to the public, particularly in rural areas.

***b. Training of youth entrepreneurs***

Training is helping but not making a dramatic difference. The majority of respondents are 26 years and above. There is need for training to transform their businesses into more commercially viable and competitive small business. In addition, Chigunta (2002:14) reported that their needs largely revolve around tactical skills for growth and transformation (skills one should have: capacity to plan, communication, marketing, interpersonal, basic management, quantitative or analytical, personal effectiveness, team building and leadership; skills one can access or employ: specialised management talent, advanced planning, specialised marketing advice and services, record keeping, legal, accounting, research, technical, financial and financing, and information management).

The support agencies are encouraged to provide training on tactical skills and to conduct training needs analyses from their clients to determine relevant training needs of youth entrepreneurs.

#### ***c. The family and role model of youth entrepreneurs***

Internationally, 25 countries, namely, England, Hungary, Ireland, The Netherlands, Northern Ireland, Romania, Scotland, Wales, Nigeria, South Africa, Abu Dhabi, Egypt, Iran, Oman, Argentina, Brazil, Chile, Uruguay, Mauritius, Sri Lanka; Singapore, Pakistan, Hong Kong and Gam, promote role model through awards (Schoof, 2006:91). The awards are about rewarding and celebrating the achievements of young people in business as well as giving cash prizes and rewards. The awards provide an opportunity for youth entrepreneur to reflect on the business, receive feedback from other business leaders, and meet like-minded entrepreneurs (Schoof, 2006:91).

Finalists and award winners receive excellent media coverage of their businesses through national, regional and trade press (Schoof, 2006:91). The LEDA, SEDA and NYDA should develop such cash prizes and rewards in the CDM.

#### ***d. Networking of youth entrepreneurs***

Of the respondents, 57.6 percent were not involved in business networks. The implication of these findings is that there is a need for business networks. Schoof (2006:64) reported that in many countries, youth chambers of commerce (YCC) trade associations and young entrepreneurs clubs are dedicated to connect youth entrepreneurs with other local entrepreneurs and support organisations to help them find the right business partners and to enter supply chains. In addition, networks provide SMEs with more access to resources, complementary skills, capabilities, and knowledge that are not internally available (Gronum *et al.*, 2012:272). Therefore, such clubs should be created in Limpopo in which youth entrepreneurs to participate.

***e. Access to finance of youth entrepreneurs***

Two-thirds of the respondents did not obtain money from someone. The implication of these findings is that there is a need to increase the visibility of and information about government institutions that provide finances to youth-owned businesses. Schoof (2006:46-49) classified various finance sources into three categories, which are supported and recommended to institutions providing funds to small businesses:

- Grants and free money: Start-up grants specifically aim at promoting the establishment of new enterprises of students or young unemployed jobseekers by securing their livelihood during the time estimated for establishing and stabilising the business. The strict eligibility criteria should be removed in terms of selection procedures for grants.
- Debt financing. This refers to a soft-loan approach, which includes the provision of no or low interest loans, usually through some form of revolving loan fund, to youth entrepreneurs. Generally, there is no collateral requirement, but eligibility criteria, namely having a business plan, demonstrating commitment and responsibility, having reasonable equity participation, and demonstrating an ability to repay the loan, are required.
- Equity finance. Many emerging small businesses of youth entrepreneurs are started with personal savings, assets or loan money/investments provided by friends and family. This type of funding may be further strengthened through tax incentives or a general reduction of costs, emanating from administrative and regulatory burdens.

The Minister is urged to consider the recommendation of the Davis Tax Committee (2014), that SARS and the National Treasury consider implementation of a separate tax incentive to encourage angel investors to support micro businesses that are too small to receive financial aid from government or commercial banks.

***f. Business location of youth entrepreneurs***

The findings have shown that many businesses were in rural areas. This is a trend in South African cities for businesses to be established in residential areas. Such businesses are different from those that are operated from an office block, shopping mall or factory mall (Nieman & Nieuwenhuizen, 2014:180). Businesses in residential areas supply local needs and do not have to move to rural centres.

***g. Government regulation of youth entrepreneurs***

The findings have shown that the respondents indicated that laws did not affect their business negatively with exception of national trade policy. Various youth businesses have different needs and would respond to various incentives. The government is urged to recognise that SMEs are operating at very different stages of development and levels of sophistication, when making policy and regulation proposal.

#### ***h. Crime and corruption of youth entrepreneurs***

The findings have shown that the respondents experienced crime and corruption in their businesses. The implication of these findings is that there is a need for preventive measure of crime. The size of the business is associated with different types of preventive measures of crime, such as locks and alarm systems, which may be a cost factor (Masurel, 2004:203). Youth owned-businesses are encouraged to put additional locks and alarm installations. Therefore, for youth entrepreneurs engaged in manufacturing, agriculture and construction, installation of the electric fence is recommended. Lastly, the local governments are urged to promote good ethical conduct and governance.

### **5.6 CONTRIBUTION OF THE STUDY**

- This study focused on an analysis of youth entrepreneurship business performance.
- Contributes to the body of knowledge on SMME development in developing economies by providing the possible interventions to the specific people involved in youth-owned businesses.
- Contributes by highlighting the influence of mentorship and access to finance as well as the SBC in section 12E (4) of the Income Tax Act stipulates zero percent tax for small businesses.
- Contributes to the foundation for broader research work on youth entrepreneurship required.

### **5.7 THE LIMITATION OF THE STUDY**

In the study, weaknesses pertaining to the following issues were identified:

- Some of the respondents could not provide accurate turnover and profit figures to measure success.
- Some of the respondents were too busy, or unavailable at their business sites, had no computer illiteracy, and inadequate fax machines.
- The study was limited to youth entrepreneurs assisted by LEDA in CDM of Limpopo.
- Caution should be exercised regarding the generalisation of the results from this study to the wider population of youth entrepreneurship business units due to the

relatively small sample of 26 youth entrepreneurship business units that was included in this study.

## **5.8 FUTURE RESEARCH**

This study has not covered all variables of entrepreneurship development or process. The following future research in relation to the variables of this study could be investigated:

- It should be worthwhile investigating overall dimensions of entrepreneurial orientation, such as creativity and innovation; autonomy; risk taking; proactiveness taking initiative; and pursuing and anticipating opportunities and competitive aggressiveness than on the single dimension in Limpopo among youth with no tertiary education; and
- Future research should clearly specify the relevant support required by youth-owned businesses rather than just looking at the services or funds of the institutions.

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# APPENDIX A

## SURVEY QUESTIONNAIRE

**Topic: An Analysis of Youth Entrepreneurship Business Performance in the Capricorn District Municipality**

**Cover Letter:**

August 2015

Dear Sir/Madam

### **AN ANALYSIS OF YOUTH ENTREPRENEURSHIP BUSINESS PERFORMANCE IN THE CAPRICORN DISTRICT MUNICIPALITY**

I am currently in the process of collecting data for the completion of the Magister Technologiae in Business Administration, under the auspices of University of South Africa.

The survey you have received explores youth entrepreneurship business performance in the Capricorn District Municipality (CDM). By completing this survey, you agree that the information in this survey may be used for research purposes. You have been selected to participate in this survey of your experiences while setting up your own enterprise. You are, however, under no obligation to complete the survey and can withdraw from the study before submitting the survey. Also note that the survey is developed to be anonymous and I, as researcher, will have no way of connecting the information you provide to you personally.

You will not be able to withdraw from the study once you have submitted based on the anonymous nature of the survey. If you choose to participate in this survey it will take up no more than 20 minutes of your time. I do not foresee that you will experience any negative consequences by completing this questionnaire. Nevertheless, the researcher undertakes to keep any individual information provided herein confidential, not to let it out of his possession, and to analyse the feedback received only on group level. Once you have submitted your answers, you will not be able to withdraw them, based on the anonymous nature of the survey. The records will be kept for five years for publication purposes where after it will be permanently destroyed (hard copies will be shredded and electronic versions will be permanently deleted from the hard drive of the computer).

It is hoped the information I gain from this survey will help me better understand the specific constraints and needs of youth entrepreneurs who are engaging in business. It would also assist me in developing recommendations that will effectively improve the entrepreneurial framework for youth and to complete MTech degree.

You will not be reimbursed or receive any incentives for your participation in the survey. Should you require any further information, want feedback on the study or need to contact the researcher about any aspect of this study, you may do so.

Yours sincerely

Mr. MM Maebane  
083 552 1192 ([3735-038-2@mylife.unisa.ac.za](mailto:3735-038-2@mylife.unisa.ac.za))

**Section A: (Make a cross in the appropriate box)**

**1. Biographical details**

1.1 How old are you? (if you are younger than 18 or older than 35 years of age, please do not complete the questionnaire) \_\_\_\_\_ age in years

1.2 Gender

Male	
Female	

1.3 Owner's highest qualification:

Grades 1-7	
Grades 8-12	
Diploma	
Degree	
Other (specify)	

1.4 Nature of industry: Manufacturing

Construction	
Wholesale trade	
Retail distribution	
Transport, communication	
Production services (financial intermediation, Real estate, renting and business activities)	
Personal services (hotels and restaurants, Health and social work, other services)	
Agriculture	

1.5 Where is your business located?

Rural area	
Informal settlement	
Industrial area	
Township	
Central Business District	
Other (specify).....	

1.6 Type of ownership (Make a cross in the appropriate box):

Sole owner	
Partnership	
Close corporation	
Private company	

1.7 In which year did your business started operating? \_\_\_\_\_

1.8 How many people work for your business? Number of employees in each one of the following years:

2011	
2012	
2013	
2014	
2015	

1.9 What is your business' turnover (total sales) per year in Rand?

In Rand	
2011	
2012	
2013	
2014	

1.10 Of your turnover, what percentage formed your profit, for each of the following years in which your business was operating?

percent Profit	
2011	
2012	
2013	
2014	

**Section B:** (Make a cross in the appropriate box)

**2. Internal factors** (entrepreneurial orientation)

**2. 1 Education**

**2.1.1 Indicate your level of agreement with the following statements about education.**

	1.Strongly disagree	2.Disagree	3.Unsure agree	4.Agree	5.Strongly agree
My qualification has contributed positively towards growing the business					

## 2.2 Culture

**2.2.1** Indicate your level of agreement with the following statements about culture. For every one of the statements in the table below, choose one of the options, ranging from strongly disagree to strongly agree and mark your answer with a cross.

	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
Time is a limited resource					
Being successful means making a lot of money					
It is my duty to uphold the values and reputation of my family					
I feel threatened by unknown situation					
I look at my own interest before considering other people					
I believe in belonging to a group					
Men dominate in material success					
Enforcing rules with respect to employees helps					

## 2.3 Work Experience

**2.3.1** At the time you started your business, what managerial experience did you have?

1.None		2.Supervisor		3.Middle manager		4.Senior manager	
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**2.3.2** When you started your business, how much previous experience in a similar business did you have (for example, manufacturing or selling a similar product, or delivering a similar service)?

1.None		2.Not sure		3.To some extent		4.Quite a bit		5.A lot	
--------	--	------------	--	------------------	--	---------------	--	---------	--

## 2.4 Personal entrepreneurship orientation

**2.4.1** Did you introduce any new products or services which were unavailable during initial business start-up?

Yes	
No	

If yes, answer question 2.4.2	If no, skip to question 3.1
-------------------------------	-----------------------------

2.4.2 The product or service improved the performance of business	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree

## Section C: External factors (Supportive and cooperative environments)

### 3.1 Mentorship

#### 3.1.1 Did you receive mentorship during the operation of your business?

Yes

No


If yes, answer question 3.1.2 to 3.1.4

If no, skip to question 3.2

3.1.2 Which institution provided you with the mentorship?			
1.National Youth Development Agency		2.The Small Enterprise Development Agency (Seda)	
4.Khula Enterprise Finance (Khula)		5.Companies and Intellectual Property Registration Office (CIPRO)	
7.The South African Micro-Finance Apex Fund (SAMAF)		8.Limpopo Economic Development Enterprise (LIMDEV)	
10.Other-specify.....			

3.1.3 In your opinion, how good was the mentorship? (Make a cross in the appropriate box):	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
Did the mentorship help you to increase sales?					
Did the mentorship help you to increase profit?					
After the mentorship did you expand your business?					

#### 3.1.4 What type of mentorship did you receive?

1.Business plan		2.Networkin- introduction to key people		3.Operations management	
4.Marketing		5.Financial management		6.Human resource management	
7. Other, specify.....					

### 3.2 Training

#### 3.2.1 Have you attended training programmes since you have started your business?

Yes	
No	

#### 3.2.2 Which institution provided you with the training? (Make a cross in the appropriate box).

1. National Youth Development Agency (NYDA)	2. Limpopo Tourism and Parks Board (LTP)	3. Trade and Investment Limpopo (TIL)	
4. Limpopo Business Support Agency (LIBSA)	5. Limpopo Economic Development Enterprise (LimDev)	6. Other: please specify..... .....	

If yes, answer question 3.2.2 to 3.2.5	If no, skip to question 3.3
--	-----------------------------

(Make a cross in the appropriate box)

3.2.3 In your opinion, how good was the training?	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
Did the training help you to increase sales?					
Did the training help you to increase profit					
After training did you have better control over the cash flow of your business?					
After the training did you expand your business?					

(Make a cross in the appropriate box)	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
<b>3.2.4 During the training, I was allowed to apply the knowledge in practice (in my business)?</b>					

<b>3.2.5 During the training, how well were each of the following skills covered? (Make a cross in the appropriate box)</b>	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
General management					
Marketing management					
Legal skills					
Operational management					
Human resource management					
Communication skills					
Business plan					
Financial management					
Cash flow management					

**3.3 Role model** (The successful social or private, youth or adult entrepreneurs who are probably the best ambassadors for promoting entrepreneurship among young people).

**3.3.1 At the time you started your business, did you have a role model?**

Yes	
No	

<b>If yes, answer question 3.3.2</b>	<b>If no, skip to question 3.4</b>
--------------------------------------	------------------------------------

<b>3.3.2 Who (role model) influenced you to grow your business?</b>	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
Parents and family					
Teachers and lecturers					
Career advisor					
Entrepreneurs					
Media (TV, Radio, Internet) coverage of business and people business					
Other.....					

### 3.4 Networking

**3.4.1 Are you involved in business networks?** (involves interaction with others to get resources, advice, information and assistance)

Yes	
No	

**If yes, answer question 3.4.2**

**If no, skip to question 3.5**

3.4.2 In your opinion, how good was the networking?	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
Did the networking help you to increase sales?					
Did the networking help you to increase profit?					
Did your network help you to expand your business?					

### 3.5 Regulation

**3.5.1 How do different components of laws affect your business growth?** For every one of the statements in the table below, choose one of the options, ranging from *strongly disagree* to *strongly agree* and mark your answer with a cross.

	1.Not at all	2.A little	3.Unsure	4.Some what	5.Seriously
National trade policy					
Taxes					
Competition law (for example, restricted market access)					
Subsidy policy					
Compliance costs (Compliance costs include the value of time spent by business owners and staff on understanding the rules and					

applying them, plus payments for the expertise of professional advisors such as consultants, lawyers and accountants)					
Efficiency costs (Buying, installing and maintaining equipment required by regulations, making choices about production techniques, number of people employed, and which markets to compete in, based on regulatory impacts)					
Other:..... ..... .....					

### 3.6 Access to start-up financing

#### 3.6.1 At the time you started your business, did you obtain money from someone

(family, bank, government and Non-Governmental Organisations (NGOs))?

Yes	
No	

If yes, answer question 3.6.2

If no, skip to question 3.7

3.6.2 I ...	1.Nothing	2.About a quarter of the money I needed	3.Half the money I needed	4.About three quarters of the money I needed	5.All the money I needed
borrowed money from family					
borrowed money from friends or personal contacts					
borrowed from the government (for example, NYDA)					
borrowed from the banks					
borrowed from micro-credit institutions					
borrowed from cooperatives					
borrowed from NGOs					
Other:..... .....					

### 3.7 Crime and corruption

#### 3.7.1 When you started your business, did you experience crime (for example, burglary and vandalism)?

1.None		2.Little		3.To some extent		4.Quite a bit		5.A lot	
--------	--	----------	--	------------------	--	---------------	--	---------	--

#### 3.7.2 When you started your business, did you experience corruption?

1.None		2.Little		3.To some extent		4.Quite a bit		5.A lot	
--------	--	----------	--	------------------	--	---------------	--	---------	--

## Section D

### 4. Business successes of youth entrepreneurs

#### 4.1 Indicate your level of agreement with the following statements about business performance:

For every one of the statements in the table below, choose one of the options, ranging from *strongly disagree* to *strongly agree* and mark your answer with a cross.

	1.Strongly disagree	2.Disagree	3.Unsure	4.Agree	5.Strongly agree
I am satisfied with the profitability of the business					
I am satisfied with the sales growth of the business in the last three years					
I am satisfied with the performance of the business					
I am satisfied with the overall performance of the business					

Thank you for participating

## APPENDIX B

### LETTER OF CONSENT

I, \_\_\_\_\_ (participant name), confirm that the person asking my consent to take part in this research has told me about the nature, procedure, potential benefits and anticipated inconvenience of participation.

I have read (or had explained to me) and understood the study as explained in the information sheet. I have had sufficient opportunity to ask questions and am prepared to participate in the study. I understand that my participation is voluntary and that I am free to withdraw at any time without penalty (if applicable). I am aware that the findings of this study will be anonymously processed into a research report, journal publications and conference proceedings.

I agree to the recording of the questionnaire.

Signature..... Date.....

## APPENDIX C

P O BOX 241

PENGE

1160

10 JUNE 2015

THE MANAGER

LimDev Head Office

P O BOX 760

LEBOWAKGOMO

0737

Dear Mr Phetla

RE: PERMISSION TO USE A DATABASE OF YOUTH ENTREPRENEURS.

I hereby request permission to use a database of youth entrepreneurs assisted by Limpopo Economic Development Enterprise (LimDev) for MTech Business Administration Degree research purposes.

My name is Master Maebane, currently studying for an MTech Business Administration Degree with University of South Africa.

The title of my research is:

**An analysis of youth entrepreneurship business performance in the Capricorn District Municipality**

The objectives of the study are:

- a) To determine if internal factors (work experience, culture and education) influence the performance of youth-owned businesses in the CDM.
- b) To investigate if external factors (role models and mentorship, networking) influence the performance of youth-owned businesses in the CDM.
- c) To assess whether government regulation and availability of start-up financing influence the performance of youth-owned businesses in the CDM.

I would appreciate should I be given permission and will keep all the information confidential. I also undertake to provide a copy of the final research report to the LimDev for their records and information.

Yours faithfully

Mr.MM Maebane

Cell no.083 552 1192

Tel no.013 282 4115

Email. maebamm@unisa. ac.za

## APPENDIX D

**FROM: MPE R.R  
EXECUTIVE MANAGER: ENTERPRISE DEVELOPMENT AND  
FINANCE**

**TO : MAEBANE M.M**

**DATE : 11 AUGUST 2015**

**RE: PERMISSION TO USE A DATABASE OF YOUTH ENTREPRENEURS**

---

Kindly be informed that your request to conduct research study to access information of youth entrepreneurs on the Limpopo Economic Development Agency (LEDA)'s database is herewith granted.

Further be advised that you should not reveal directly or indirectly any confidential information provided by LEDA, to any third party without permission from the relevant person from LEDA.

Hope all is in order.

Regards,

---

Mpe R.R  
Executive Manager: Enterprise Development and Finance.

---

## APPENDIX E

### DEPARTMENT OF BUSINESS MANAGEMENT RESEARCH ETHICS REVIEW COMMITTEE

25 August 2015

Dear Mr Master Maapae Maebane,

**Decision: Ethics Approval**

Ref #: 2015\_CEMS\_BM\_038

Mr Master Maapae Maebane

Student #: 37350382

Prof Elana Swanepoel

Staff #: 52130487

**Name:** Mr Master Maapae Maebane – Principal Researcher (MAEBAMM@UNISA.AC.ZA; 0835521192)

**Proposal:** An analysis of youth entrepreneurship business performance in the Capricorn District Municipality

**Supervisor:** Prof Elana Swanepoel (Staff #:52130487)

**Qualification:** Postgraduate degree

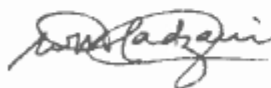
Thank you for the application for research ethics clearance by the Department of Business Management Research Ethics Review Committee for the above mentioned research. Final approval is granted for the duration of the project from the date of issue.

***For full approval:** The application was reviewed in compliance with the Unisa Policy on Research Ethics by the Department of Business Management on 17 August 2015.*

*The proposed research may now commence with the proviso that:*

- 1) The researcher/s will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.*
- 2) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to the Department of Business Management Ethics Review Committee. An amended application could be requested if there are substantial changes from the existing proposal, especially if those changes affect any of the study-related risks for the research participants.*
- 3) The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study.*

Kind regards,



Prof Watson Ladzani  
Chairperson of the sub-unit RERC  
Department of Business Management  
wladzani@unisa.ac.za



Prof Raphael Mpofu  
Executive Dean  
College of Economic and Management Sciences

