An investigation and problematisation of the Entrepreneurial Framework Conditions associated with entrepreneurship amongst Black Africans in Johannesburg, South Africa.

A RESEARCH PAPER SUBMITTED BY

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DECLARATION

I, the undersigned, ***Sakhile Bongani Earthian Mkwanazi***, hereby declare that this research is my own, unaided work. It is being submitted in fulfillment of the requirements for the degree of Masters of Entrepreneurship and New Venture Creation at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

SIGNED ________________________ **IN** <u>JOHANNESBURG</u> **ON** <u>28 MARCH 2018</u>

DEDICATION

I dedicate this learning experience to my son, Yinkosana Isithembisosakho Messiah Mkwanazi; let this experience be a small testament of what you can do. The challenges and difficulties I faced while trying to complete this paper are lessons that nothing can stop the human spirit except the human spirit itself. “Son, if daddy can do it, you can do even more!”

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ABSTRACT

South Africa is faced with the ‘triple threat’ of unemployment, poverty and inequality (National Planning Commission (NPC), 2012). Since democracy, transformation of the economy has been elusive, to the extent that Black Africans, who are the majority population group, have faced increasing deprivations (Stats SA, 2017; Bastos & Bottan, 2016; Viljoen & Sekhampu, 2013). One way to overcome this problem is entrepreneurship, which is known to be a positive contributor to economic growth and employment. In light of this, the Global Entrepreneurship Monitor (GEM) has created a list of Entrepreneurial Framework Conditions (EFC), which are conditions, factors and institutions that can either encourage or discourage the level of entrepreneurial activity in a country or region (Herrington and Turton, 2012; Herrington., Kew & Kew 2015; Herrington, Kew & Mwanga, 2016/17).

This research study investigated the EFCs associated with Entrepreneurial Activity (EA) and sustainability amongst Black Africans, whether the policies that the government has implemented encourage and sustain EA amongst Black Africans, and if differences exist between the EFCs associated with Black-owned enterprises and those identified by GEM. A qualitative research design located in the interpretive paradigm was utilised for methodology and analysis purposes, and in-depth interviews were conducted with established Black African business owners in Johannesburg. This study’s overall findings were similar to the GEM’s findings; however two main findings may be isolated as having uniquely affected the respondents, i.e. race and finance. Race in particular has served as both a curse and a blessing for entrepreneurs; it is one of the first characteristics that are used to make value judgements on the abilities of these entrepreneurs. While government policies and programmes provide assistance on the basis of race and merit in an attempt to even the playing field, the administration of these policies fails entrepreneurs as they are susceptible to corruption. Furthermore, race is particularly complex as it is intertwined in all of the other factors, including finance, which was the second most commonly identified factor in determining access to, and success in, entrepreneurship. It is recommended that the findings of this study be used as a basis for a larger, more in-depth study, which may provide more conclusive results, and the Government is advised to seek the perspectives of entrepreneurs when formulating entrepreneurship-related policies.

Key words: Economic Framework Conditions, Entrepreneurship, Black African.

ACRONYMS AND ABBREVIATIONS

ABI	Amalgamated Beverage Industries
ANC	African National Congress
APS	Adult Population Survey
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BBBEE	Broad Based Black Economic Equality
BEE	Black Economic Empowerment
BMF	Black Management Forum
CBD	Central Business District
CIT	Critical Interview Technique
DPME	Department of Planning, Monitoring and Evaluation
DTI	Department of Trade and Industry
EA	Entrepreneurial Activity
EEA	Employee Entrepreneurial Activity
EFC	Entrepreneurial Framework Conditions
EU	European Union
FET	Further Education and Training
GCI	General Competitive Index
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
GEM	Global Entrepreneurship Monitor
GIC	Gauteng Investment Centre
GNFC	General National Framework Conditions
GTA	Gauteng Tourism Authority
HEA	High Growth Enterpreneurship
HIV	Human Immuno Deficiency Virus
IDC	Industrial Development Corporation
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
InSETA	Insurance Sector Education and Training Authority
IT	Information Technology
JSE	Johannesburg Stock Exchange

KFC	Kentucky Fried Chicken
LBPL	Lower Bound Poverty Line
MBA	Masters in Business Administration
NAFCoC	National African Federated Chamber of Commerce and Industry
NDP	National Development Plan
NEDLaC	National Economic Development and Labour Council
NEF	National Empowerment Fund
NEET	Not in Employment, Education or Training
NGP	New Economic Growth Path
NPC	National Planning Commission
NP	National Party
NYDA	National Youth Development Agency
OECD	Organization for Economic Co-operation and Development
R&D	Research and Development
RDP	Reconstruction and Development Programme
SAB	South African Breweries
SAMBRA	South African Motor Body Repairers Association
SARS	South African Revenue Services
SEA	Social Entrepreneurial Activity
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMMEs	Small Medium and Micro Enterprises
Stats SA	Statistics South Africa
TEA	Total Early-stage Entrepreneurial Activity
TEP	Tourism Enterprise Program
TIA	Technology and Innovation Agency
UBPL	Upper Bound Poverty Line
UCT	University of Cape Town
UK	United Kingdom
US	United States
WB	World Bank
WEF	World Economic Forum

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CHAPTER 1: INTRODUCTION

1.1. Purpose of the study

South Africa has one of the most unequal economies in the world; with a Gini coefficient of 0.68, the difference between the country's rich and poor is amongst the highest in efficiency driven economies (Statistics South Africa (Stats SA), 2017a; Bhorat,2015 ; Organization for Economic Co-operation and Development, (OECD), 2015;). The Gross Domestic Product (GDP) growth rate in South Africa has been estimated at just 0.3%, which is partly due to historical factors and partly a result of more recent political and economic tensions in the country (Herrington, et al., 2016/17). Poverty and inequality continue to threaten the country's stability, as approximately 13.8 million people are living below the food poverty line, with only 8.3% of the county's total income going to the bottom 40% of households (Stats SA, 2017a). In addition to this, the country has on-going problems with high levels of unemployment and underemployment. Currently at an all-time high of 27.7%, unemployment is the leading challenge facing South Africans (Stats SA, 2017b; Stats SA, 2016b).

Since the advent of democracy in South Africa in 1994, transformation of the economy has been a contentious issue, as race continues to be a key determinant of socio-economic outcomes (Potgieter, 2017). This has been difficult to overcome partly due to the fact that Apartheid policies struck at the core of the majority of the country's inhabitants' identities. The *Transformation Barometer*, a report published by the Black Management Forum (BMF) in 2015, described the methodical subversion of Black Africans' economic abilities by Apartheid policies and the resultant crippling of their socio-economic outcomes as follows:

> "The defining feature of Apartheid was the use of race to restrict and severely control access to the economy by Black persons. The accumulation process was one of restricted wealth creation and imposed under development of Black communities to ensure that they were, in the main, suppliers of cheap labour. The underdevelopment of Black South Africans took the form of a progressive destruction of productive assets, deliberate denial of access to skills and jobs, and the undermining of self-employment and entrepreneurship. In combination these policies restricted and suppressed wealth and skill endowments in Black communities thereby structurally inhibiting their participation in a legislatively deracialised economy" (BMF, 2015, p.159).

As a result, South Africa continues to be challenged in that "the legacy of systematic racial ordering and discrimination under apartheid is that South Africa remains deeply racialised, in cultural and social terms, as well as deeply unequal, in terms of the distribution of income and opportunities" (Seeking, 2008) Approximately eight of every ten (80.1%) people of working-age in South Africa are Black Africans, yet they constitute the highest proportion of unemployed people (31.3%). This is higher than the national average of 27.7% and their counterparts in the other population groups (Coloured - 23.6%, Indian/Asian - 13.3%, White - 5.7%). The proportion of Black Africans who are not economically active is even higher at 41.3% (Stats SA, 2017b). Furthermore, the number of Black African people living below the Lower Bound Poverty Line (LBPL) increased from 36.4% in 2011 to 40% in 2017. This was significantly higher than the LBPL of other population groups in the country (Coloured – 23.3%, Indian/Asian 1.2%, White 0.4%) (Stats SA, 2017a).

This unequal distribution of wealth has contributed to the myriad of social, political and economic challenges that the country faces. The high crime rate, education crisis, poor service delivery and corruption in both the public and private sector has aggravated the differences in standards of living between the rich and poor (National Planning Commission (NPC), 2011; BMF, 2015). Although South Africa has advanced incredibly in some areas such as its strong financial services sector, the country still has a long way to go in addressing its socio-economic challenges (OECD, 2015).

Entrepreneurship is widely considered to be a major "driver of sustainable economic growth through job creation, innovation and its welfare effect" (Herrington et al., 2015, p.19). It is therefore imperative that enterprise development and entrepreneurship be utilised as a pivotal strategy to propel the growth potential in South Africa and address the real concerns of poverty and inequality (Herrington et al., 2015). The Global Economic Monitor (GEM) proposed Entrepreneurial Framework Conditions (EFC) as explanations for the level of entrepreneurship in a given country. These EFCs are broadly defined as conditions, factors and institutions that can either encourage the level of entrepreneurial activity when present or favourable, or discourage it when absent or unfavourably placed in the economy of a specific region or country (Reynolds et al., 2005; Herrington et al., 2015; Herrington et al., 2016/17). Currently, South Africa's rate of entrepreneurial activity is very low for a developing nation, given the fact that there is a wide gap between South Africa and other African countries in relation to early stage entrepreneurial activity (Herrington et al., 2016/17). Total Early-stage Entrepreneurial Activity (TEA) rates in the whole of Africa are generally 2.5 times higher than for South Africa, and the country also has one of the lowest TEA rates among the efficiency driven economies, ranking 28 out of 32 (Herrington et al., 2016/17, p.7).

In light of the aforementioned circumstances, this research paper examined the EFCs to assess which promote or inhibit the establishment and growth of businesses in South Africa. The overarching intention was to investigate whether there are unique EFCs associated with the establishment and sustainability of business amongst Black Africans. An effort was made to determine whether the EFCs proposed by the GEM are relevant and exhaustive in the current economic climate of the country – particularly in the context of Black African entrepreneurs in the Johannesburg area. The paper proposes that a one size fits all approach to encouraging entrepreneurship, which does not take into consideration race or population group as a major demographic determinant, may be problematic in a country where the overwhelming majority of the population is Black African. Given the country's history of extensive racial segregation, factors discussed in promoting economic growth must be able to take into consideration the unique South African environment that has been precipitated by this history (Valliere, 2010; Xavier, Kelley, Herrington, & Vorderwulbecke, 2012; Viljoen & Sekhampu, 2013; Bastos & Bottan, 2016).

1.2. Context of the study

South Africa's multi-faceted, heterogeneous socio-demographic landscape is characterised by several challenges, including high levels of poverty, inequality, unemployment and underemployment. This is exacerbated by the fact that the economy is not representative of the country's population dynamics. Economic policy initiatives are also continuously changing, and are thus confusing and misaligned with the country's needs. Further, there is an inability to effectively recognise and harness that which can promote entrepreneurship amongst South Africans, particularly Black Africans. In light of these challenges, this section provides the context within which this study was conducted.

1.2.1. Institutionalised racism and its impact on the socio-economic outcomes of Black South Africans

A discussion on the current socio-economic status of South Africa cannot discount historical factors that have significantly shaped the political and economic trajectory of the country. An important element of this discussion thus inevitably focuses on the political system of Apartheid. Although racial segregation was initiated in South Africa during colonial times under Dutch and British rule, it was accelerated through Apartheid. The National Party (NP) Government, which ruled from 1948 to 1994, legislated a system that classified inhabitants into four racial groups (African/Black, White, Coloured and Asian) through the Population Registration Act (1950) and segregated residential areas through the Group Areas Act of 1950, essentially withdrawing the citizenship of Black people and making them citizens of one of ten (determined by ethnic group) “independent” homelands called Bantustans (Viljoen & Sekhampu, 2013; Bastos & Bottan, 2016). The rights, associations and movements of Black Africans, who were the majority of the population, were subjugated, while Afrikaner minority rule was maintained (Viljoen & Sekhampu, 2013). The Government segregated public services including, most devastatingly, education and healthcare, providing Black people with inferior services to those of White people (Viljoen & Sekhampu, 2013). The system gradually became more restrictive and political representation for non-Whites was abolished in 1970 (Bastos & Bottan, 2016; Viljoen & Sekhampu, 2013).

Importantly, particularly in the context of this study, Black people were first systematically excluded in the 1800s, when the first dispossessions of land, livestock and deliberate extraction of cheap labour occurred. This continued throughout the 20th century (Aliber, 2001; Hunter et al., 2003; Viljoen & Sekhampu, 2013). The Native Land Act of 1910 restricted Black people to rural “homelands” and urban townships, where they could not easily travel to do business in high economic zones such as Johannesburg and Cape Town without permission from Whites (Davies, O'Meara, & Dlamini, 1984; Fraser, 2007; Davies, 2012; Viljoen & Sekhampu, 2013). White supremacy gave White entrepreneurs an advantage in terms of land, learning opportunities, access to markets, freedom of trade, networking opportunities, collective bargaining, mentorship, growth opportunities and more. Black entrepreneurs were limited to traditional survivalist businesses such as spaza shops, shebeens and bootleg taxi services.

Furthermore, the Apartheid system deprived Black South Africans of viable entrepreneurial skills and business opportunities, as “racially segregated areas … not only uprooted millions from their places of residence, but also led to large capital losses and virtually destroyed the fabric of Black small enterprises. The drastic curtailment of property ownership rights of Black persons made it impossible for them to acquire assets that could serve as collateral for loan financing; it also excluded Black persons from the long-run process of capital accrual and growth" (Department of Trade and Industry (DTI), 2004; BMF, 2015, p.155).

Thus the disenfranchised Black majority were landless with limited access to skills development, and even more debilitating, were deliberately prohibited from generating self-employment and entrepreneurial skills (BMF, 2015). Another significant piece of legislation that had a dire, long lasting impact on the economic outcomes of Black South Africans was the Bantu Education Act, passed in Parliament in 1953, which "denied Black people access to the same educational opportunities and resources enjoyed by White South Africans … the Act promoted myths and racial stereotypes in its curricula and textbooks, some of these found expression in the notion of the existence of a separate "Bantu economy" which were taught to African students in Government-run schools...Bantu education treated Blacks as perpetual children in need of parental supervision by Whites, which greatly limited the student's vision of "her place" in the broader South African Society" (BMF, 2015, p.155).

As a result, the ability of South Africans to self-actualise post-Apartheid, although remarkably improved, has been negatively impacted by what went before. Dependency on the state and other employers continues, where people see formal employment as the only viable route out of poverty, not considering entrepreneurship as an option. South Africa's economic transformation was expected to be less challenging than its political transformation; however it proved to be more challenging in reality. Massive economic outflows needed to be curbed between the 1980s and early 1990s, and there was a large yet unskilled Black population base, multiple competing economic and political priorities, slow economic growth, high inflation and negative investor confidence (Bond, 2004; Southall, 2006; OECD, 2015). This remains a challenge, in addition to other racial and class issues such as the loss of significant numbers of workers due to HIV-related diseases in the mining and manufacturing sectors, which used to anchor economic growth (Southall, 2006; Viljoen & Sekhampu, 2013).

The post-democratic society in South Africa is characterised by a "largely Black-controlled state, still mainly White-owned industry, a Black working class, (and) an impoverished Black informal sector" (Southall, 2006; p.xli), as well as property-less urban inhabitants who live in under-developed, over-populated townships or informal settlements on the outskirts of suburban areas and on the periphery of services (Vearey, Palmary, Thomas, Nunez, Drimie, 2010). Further, the largely Black rural population is heavily dependent upon transfers from urban areas for their subsistence, and the country's location in the global political economy is to a large degree reliant upon the export of minerals (Southall, 2006).

1.2.2. Post-democratic South Africa: Government programmes and policies for the transformation of the economy

Over the years, the National African Chamber of Commerce (NAFCOC) has examined the systematic issues that have hindered the development of Black business (Macozoma, 2003). Furthermore, the government has shown strong intent to improve the situation, both in terms of education and the facilitation of government programmes to improve entrepreneurial education and provide financial support to budding entrepreneurs. The government has also encouraged entrepreneurial activity through numerous governmental institutions that aim to provide entrepreneurial support, particularly amongst those who were previously disadvantaged.

A myriad of government interventions have been initiated over the last 20 years, including the "National Empowerment Fund (NEF), established by the NEF Act, 1998 (105 of 1998), to promote and facilitate Black economic equality and transformation" (Republic of South Africa (RSA) Government, 2013/14, p.104).

Other interventions include agencies that specialise in assisting with the development and financing of entrepreneurs, such as the Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), National Youth Development Agency (NYDA), Technology and Innovation Agency (TIA), and National Empowerment Fund (NEF). The impact and effectiveness of these programmes has come under scrutiny, however, with many being unsure about their success rate (Sanches, 2006), especially as a large number of people have yet to hear of or use their services. These programmes have been accompanied by policies such as Broad Based Black Economic Empowerment (BBBEE), the Reconstruction and Development Programme (RDP) (1994), the Growth Employment and Redistribution (GEAR) programme (1996), the Accelerated and Shared Growth Initiative South Africa (ASGISA) (2006), the New Economic Growth Path (NGP) (2010), the National Development Plan (NDP): Vision 2030 (2011), (Sanches, 2006; NPC, 2011).

The government's comprehensive BBBEE policy prioritised the development and cultivation of Black-owned businesses as a mechanism of redressing the economic inequalities created by Apartheid legislation. According to Macozoma (2003), the concept of BBBEE surfaced for the first time in public at the second conference of the Foundation for African Business and Consumer Services in May 1991. The policy took time to be accepted in the South African political economy; it has been suggested that this could be due to the fact that Black businesses were unable to generate enough revenue and social capital to dedicate to the advocacy of their interests, as they were focussing instead on the more pressing challenges brought about by Apartheid.

Apartheid BBBEE initially focused on the broadening of ownership and control of capital accumulation, with the intention of deracialising the ownership structure at the top echelons of the business community (Ponte & van Sittert, 2007; BMF, 2015). The policy has been amended a number of times however, moving away from ownership to address and meet the needs of a wider audience through supply chain and procurement amendments, enterprise developments, employment equity, skills development and more. These changes aimed to deal with the widespread criticism that Black empowerment enriched only a politically connected minority rather than the average disadvantaged person (Ponte, & van Sittert, 2007).

The RDP, meanwhile, emphasised the alleviation of poverty and the reconstruction of the economy. It proposed achieving this through meeting the basic needs of people, upgrading human resources in order to facilitate employment and strengthen the economy, democratising the state and society, and reorganising the state and the public sector (Ncube et al., 2012). In 1996 GEAR was introduced, which focused mainly on micro-economic stabilisation and trade and financial liberalisation as priorities to foster economic growth, increase employment and alleviate poverty. It was essentially predicated upon a neo-liberal economic stance that is highly dependent on market forces and capitalism (Ncube et al., 2012).

The ASGISA framework (2006) aimed to sustain accelerated growth and address economic imbalances through identifying and focusing on seven binding constraints of inclusive growth, which included relativity and volatility of markets, cost and efficiency of the national logistics system and infrastructure, shortage of suitable and skilled labour, and disjointed spatial settlement patterns (Hirsch, 2005; Fallis, 2013). The other three were barriers to entry and competition in specific sectors of the economy, the regulatory environment and its burden on Small Medium and Micro Enterprises (SMMEs), and the deficiencies in state organisations, including capacity, strategic leadership and impact on delivery (Hirsch, 2006).

The New Economic Growth Path is the implementation strategy of the National Development Plan (NDP): Vision 2030 (van Aardt, Ligthelm & Tonder, 2011; NPC, 2011; Ncube et al., 2012). It is a key strategy of the government's that aims to build an inclusive economy, break down structural inequalities, increase the Gross Domestic Product (GDP) growth rate by six to seven percent per year, and provide decent employment for at least five million people by the year 2020, reducing unemployment to 15%. If this strategy succeeds the government must be able to maintain an employment growth rate of between 0.4 and 0.8% per year (NPC, 2011).

1.2.3. High levels of unemployment and under-employment in South Africa

As indicated before, South Africa has high levels of unemployment and underemployment and the role of race in the country's socio-economic fabric cannot be overlooked when analysing employment and business trends. It is, however, critical to understand these trends in context, especially in light of the country's apartheid history. This is important because while apartheid was essentially premised on colonialism and other variations of racial discrimination; it was quite unique in that "no other capitalist state (in either the North or the South) has sought to structure income inequalities as systematically and brutally as did South Africa under apartheid. Explicit racial discrimination affected earnings and income directly and blatantly. Black people and white people with the same qualifications were paid different wages for performing the same job, especially in the public sector," (Seekings and Nattrass, 2005, p.2).

Furthermore, "state policies affected inequality by limiting the opportunities open to the black majority of the population. People were dispossessed of or denied access to property simply because of their racial classification. Business opportunities were curtailed. Discriminatory expenditure on education meant that black people entered the labour market with big disadvantages. The "colour bar" prevented them from getting the better-paid jobs, even if they had appropriate skills and experience…in many ways, therefore, an individual's income and welfare under apartheid were dependent on his or her official racial classification and hence location in a racial hierarchy" (Seekings and Nattrass, 2005, p.3).

Currently, while inequality is high between races or population groups, it is unfortunately also visible within population groups or races - "income is distributed within the African population almost as unequally as within the population as a whole, as opportunities have expanded rapidly for many African people to move into better-paid occupations at the same time as many others languish in poverty because of poor schooling and chronic unemployment. Citizenship, whether civil, political or social is no longer defined in racial terms. Yet society remains highly racialised" (Seekings,2008, p.2). Efforts to create permanent jobs have been on-going, particularly in the public sector, through, for example, increasing government levels of staffing "by almost 200 000 people over the last few years", yet unemployment remains a pervasive aspect of South African society (Herrington et al., 2015, p.19); over 65% of the youth in the country are unemployed or underemployed (Herrington et al., 2015; Herrington et al., 2016/17; Stats SA, 2017b). Underemployment describes a phenomenon experienced by a segment of the population who are "earning very low wages, stuck in vulnerable employment or classified as the working poor. These individuals are forced to take whatever work opportunities present themselves, most of which are not sustainable nor are they viable routes out of poverty" (Herrington et al., 2015, p.19). This is problematic as they form a significant percentage of the working age population in South Africa. Yet although unemployment is a huge problem in the country, there remains a reluctance to use entrepreneurship, even out of necessity, as a route out of poverty.

1.2.4. The state of entrepreneurship in South Africa

It is widely believed that innovation is largely driven by the entrance of new businesses into an economy, as entrepreneurs help to create new jobs and contribute to improving the socio-economic status of people, while meeting the demands of consumers (Herrington et al., 2012; World Bank, 2016). According to the World Bank's (2016) *Doing Business Report*, however, the South African business environment has generally deteriorated, regardless of South Africa being celebrated for having created one of the world's best financial services sector and regulatory environment. The entrance and development of new entrepreneurs, especially those coming from previously disadvantaged backgrounds, also remains low (Herrington et al., 2012; Herrington et al., 2016/17). The barriers to entry are evident in the general business environment and discourage the growth of entrepreneurs, and ultimately the economy.

Starting a business has become harder in South Africa; in fact, the country has regressed in this area, having dropped 70 places from 61 in 2015 to 131 in 2017 out of 190 countries (World Bank, 2017; Herrington et al., 2016/17). The bureaucracy of business registration procedures takes more than twice as much time as it did in 2015, despite the fact that regulations associated with starting a business in South Africa were eased between 2015 and 2017 (Herrington et al., 2016/17). Furthermore, the World Bank Entrepreneurship Database showed that South Africa ranked 18 out of 22 sub-Saharan countries in new business density in 2016, meaning that in terms of the entrance of new limited liability businesses, South Africa was creating far fewer than its neighbours, even though it has a larger economy and more established legal and financial services sectors.

In 2016, South Africa's Total Early-stage Entrepreneurial Activity (TEA) rate was 6.9%, which was 13 percentage points below the median for the GEM sample and worse than 2015's rate of 9.2% (Herrington et al., 2016/17). In a population of 56.52 million (Stats SA, 2017, p.1), this is extremely low. This is more worrying when taking in consideration the country's economic situation, as there are "staggeringly high levels of unemployment and it is increasingly unlikely that growth in the formal economy will be able to absorb sufficient people to solve the unemployment problem" (Herrington et al., 2016/17, p.27). When disaggregated by race, "Black Africans make up the bulk of South Africa's early-stage entrepreneurs. Although their involvement declined markedly in 2015 (from 85% in 2013 and 2014 to 68% in 2015), 2016 has seen a resurgence in early-stage entrepreneurial activity among Black Africans, who now make up three-quarters of the entrepreneurial population" (Herrington et al., 2016/17, p.33).

The established business rate in South Africa has "declined by 26% since 2015. At 2.5%, the established business rate is the lowest since 2011. It is disturbingly low when compared to that of other African countries – the regional average is 11.9%. It is also significantly lower than the average for efficiency driven economies, which at 8.6%, is more than three times South Africa's rate. Of particular concern is that South Africa has one of the lowest established business rates of all the economies that participated in GEM 2016 (ranked 61st out of 65 economies)" (Herrington et al., 2016/17, p.28). This means that not enough South African businesses have survived longer than three and half years.

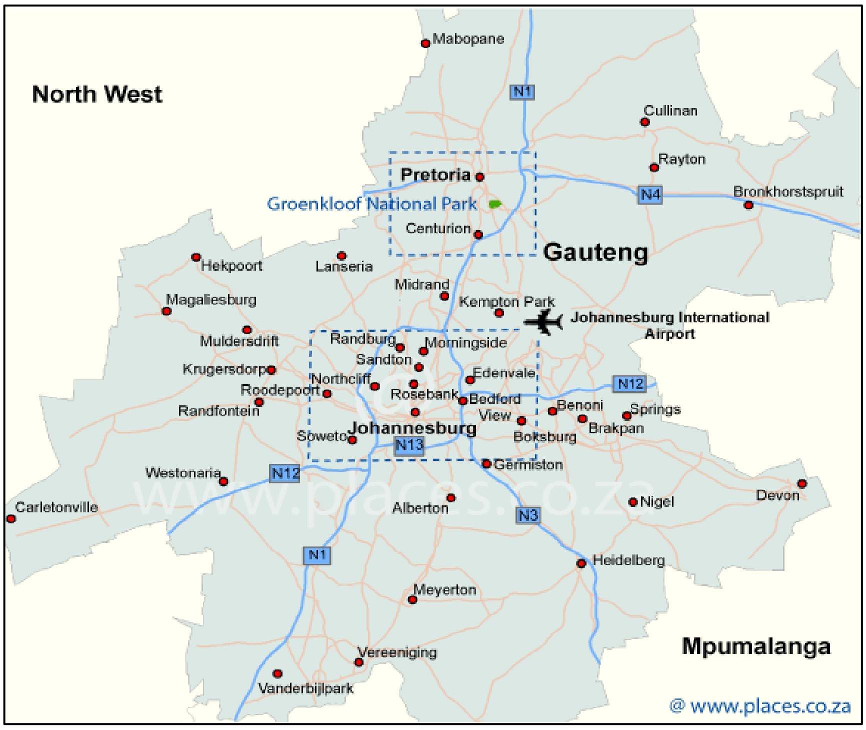
1.2.5. Johannesburg in context: exploring the setting of this study

Gauteng covers only 1.4% of South Africa's land area, yet it is home to the greatest share of the South African population (25.3%) - approximately 14.3 million people (Stats SA, 2017c). It is thus not surprising that Gauteng is the country's highest income-generating province, contributing approximately a third of the income of the national economy (33%) and**,** even more impressively, a tenth of the GDP of the entire African continent (Gauteng Investment Centre, (GIC), 2016).

Migration has consistently been an important factor in shaping Gauteng's population structure and "migrant workers are a long-standing integral part of its economy" (OECD, 2015, p.85). About a quarter of the rural population migrate to the main economic centres of Gauteng as well as large coastal cities in other provinces and Black Africans constitute the majority of migrants (OECD, 2015). It is projected that Gauteng is will experience the largest inflow of migrants in the period 2016–2021, of approximately 1,595,106 people (Stats SA 2017c).

Increasing migration, urbanisation and population growth have coloured the socio-economic landscape of Gauteng, putting pressure on the distribution of resources such as housing, health, education and employment (OECD, 2015). While Gauteng is one of the richest provinces in South Africa, the poverty headcount in the province is 4.6% of the population and the intensity of poverty is 44.1% (Stats SA, 2017b). In addition to this, the poverty gap in Gauteng increased from 12% in 2011 to 13.2% in 2015 (Stats SA, 2017b).

At 29.9%, the unemployment rate in Gauteng is higher than the South African average of 27.7% (Stats SA, 2017b). As such, much of the population of working age residing in the province fail to find employment, including migrant workers who are "perceived to have inferior labour market characteristics, compared with their urban competitors" (OECD, 2015, p.85). Consequently, the majority of informal sector workers are found in Gauteng (26.7%) (OECD, 2015). A map of Gauteng is shown below.



Map 1: Gauteng province, Johannesburg indicated

Source: (SA Places, 2017)

A single municipality that covers over 1,645 square kilometres, the population of the city of Johannesburg was 4.94 million in 2016 - making it the largest city in South Africa and one of the 50 largest urban areas in the world (Brinkhoff, 2010; GIC, 2016; Stats SA, 2016; Jo'burg Tourism, 2017). Black Africans account for 76.4% of the population, followed by Whites (13.3%), Coloureds (5.6%) and Indian/Asians (4.9%), (World Population Review, 2017).

The city is home to the Johannesburg Stock Exchange (JSE), which is currently ranked the 19th largest stock exchange in the world by market capitalisation (Johannesburg Stock Exchange, 2017) and is the largest stock exchange on the African continent. Johannesburg is also the seat of the Gauteng provincial government and houses one of the key national institutions, the Constitutional Court. It is also the site of a number of political party and trade union organisations' headquarters, including the African National Congress's (ANC) Luthuli House (Mabin, 2011).

Although the city is one of the largest income generating cities in the country, it is concerning that almost a third (30.1%) of its residents are unemployed (Stats SA, 2016, p.13; Stats SA, 2017b). Furthermore, despite the fact that Johannesburg is the fastest growing urban area in sub-Saharan Africa, a significant proportion of its population is part of the urban poor, who face "increasing urban inequalities, inadequate housing and land tenure opportunities, which leads to an increase in urban informal settlements, groups of residents with weak rights to the city and a dependency on survivalist livelihoods, which are mostly located within the marginalised informal sector" (Vearey et al., 2010). As such, social protection has been a major contributor to reducing the effects of poverty and unemployment in the city, with grants and subsidies received as a percentage of total income accounting for 21.2% (Stats SA, 2016, p.13).

A profile of Johannesburg would be incomplete without mentioning Soweto and while the business owners who participated in this study were sampled from Johannesburg, a significant portion of them were originally from Soweto and some of their businesses were established. A township which originated as a collection of settlements on the outskirts of Johannesburg, Soweto was originally populated mostly by Black African workers from the gold mining industry. Initially an acronym for 'South-Western Townships', Soweto was essentially developed as a "dormitory township" for Black people who were not permitted to reside in the suburban areas of Johannesburg under the Apartheid system (GIC, 2016). As such, "older townships, such as Soweto, were planned settlements for Black workers with basic transport infrastructure for commuting purposes. The estimated population of the older townships is 15 million – some 27% of the South African population" (OECD, 2015, p.25). Soweto, now home to more than two million people, played a pivotal role in toppling the oppressive Apartheid regime Apartheid(Mabin, 2011; GIC, 2016), and boasts the only street in the world that has housed two Nobel laureates - former president of South Africa, Nelson Mandela, and Archbishop Desmond Tutu (City of Johannesburg, 2011). The township continues to be a major contributor to the South African economy, as workers residing there commute daily to the Central Business Districts (CBDs) of Johannesburg, Sandton, Germiston and Pretoria (Lepiz & Masondo, 2016).

Although democracy has led to the development of Black-owned businesses in the mainstream economy, little is known by academia and the South African society in general about the EFCs associated with Black-owned and established enterprises. Those who do know about EFCs also often do not take into account specific differences that may be associated with Black-owned enterprises due to their historical background, but rather generalise all EFCs to all kinds of businesses in South Africa.

1.3. Problem statement

South Africa's socio-economic landscape is volatile, as people living in the country face what the government and other commentators have coined the "triple threat" of poverty, inequality and unemployment (NPC, 2011; Herrington et al., 2015). While the government and private sector have attempted to resolve this through various job creation mechanisms, it has proven to be a difficult task, yielding inadequate results at best. The benefits of entrepreneurship as a mechanism to combat dire economic circumstances cannot be overstated, and while this is known to be a face, entrepreneurship levels in the country remain insufficient. The following section discusses the problem tackled by this study.

1.3.1. Main problem

There is a paucity of information about established Black entrepreneurship in South Africa, and, while the research on EFCs conducted by the GEM has made significant strides in filling this gap, the EFCs that the GEM stipulates are not exhaustive in explaining the insufficient level of entrepreneurial activity in South Africa; in evaluating the low levels of entrepreneurship amongst Black Africans, or in assessing the challenges that Black Africans face in starting and sustaining businesses in South Africa.

1.3.2. Sub problems

Three sub problems were identified in this study, which are elaborated on below.

1.3.2.1. Insufficient entrepreneurial activity amongst Black African people in South Africa

The first sub problem identified in this study was that there is insufficient EA amongst Black African people in South Africa. Moreover, entrepreneurial intentions in South Africa have dropped by more than a third (from 15.4% in 2013 to 10.1% in 2013). The rates of all levels of early-stage entrepreneurial activity have also dropped considerably in 2016/17 compared to 2015, for example the nascent entrepreneurial rate is down by 30%, while the TEA rate has dropped by 25%. South Africa's established business rate also is disturbingly low, having declined by 26% since 2015 (Herrington et al., 2016/17). The economic downturns in South Africa, although adverse for business in general, have particularly affected smaller businesses, resulting in high levels of business discontinuance (Preisendorfer, Bitz, & Bezuidenhout, 2012, Herrington et al., 2015, Herrington et al., 2016/17). Furthermore, "there has been a tendency to introduce more business regulation, hampering the growth of small and medium businesses (Herrington et al., 2016/17). According to the BMF (2015, p.10), entrepreneurs "struggle to gain access to finance and have almost no input in the formulation of industrial policy". For this reason it is not surprising that there are not enough small to medium enterprises in existence to assist in job creation.

More importantly, while unemployment is a major problem in the country and may be expected to be a catalyst in encouraging business activity, the number of necessity entrepreneurs, i.e. people who started a business due to being jobless and unable to secure a job, remains low (Herrington et al., 2015, Herrington et al., 2016/17). Although it is positive that an increase has been observed in Black African entrepreneurial participation, driven by an increase in opportunity-motivated entrepreneurship, this increase has to be seen in the context of high unemployment levels in the country, particularly within this population group. The impact of a 0.9% increase of opportunity-motivated entrepreneurship, within a population group that constitutes the majority of the working age people in the country, which also has the highest proportion of unemployed and under skilled people, is debatable. Furthermore, an examination of the entrepreneurial motivations of Black Africans from 2005 to 2016 indicates that besides a slight increase of 0.8% at inception, there was a steady decline in necessity entrepreneurial motivation (29.3%, 30.1%, 27.4%, 24.8%, 24.2%, 20, 6%) over the 11 year period. However, the same trend was not observed for opportunity driven entrepreneurial activity for Black Africans in this period. Instead, this was neither steady nor consistent, but fluctuated (22.9%, 49.1%, 58.3%, 59.8%, 43.3%, 55.4%). This indicates that these two categories of measurement of entrepreneurial motivation are mutually exclusive and cannot necessarily be compared. This means that an increase in opportunity motivated entrepreneurship amongst Black Africans is excellent in and of itself, however it can only be celebrated as an indicator of progress in the entrepreneurial activity of Black Africans with caution, given the aforementioned challenges of poverty, unemployment, underemployment and income inequality within this population group.

1.3.2.2. Lack of racial transformation in the South African economy

The second sub-problem, which is related to the first, is the lack of racial transformation in the South African economy. Only 17.4% of the shares on the JSE are owned by Black South Africans, while 44.5% are owned by White South Africans and 31.1% are owned by foreign nationals (BMF, 2015). While there has been an increase in shareholding at the JSE amongst

Black Africans over the years, the percentages remain low and disproportionately aligned to the population dynamics in the country. This is concerning as “economic ownership is a key indicator into economic transformation” (BMF, 2015, p.20). This gives credence to the notion that there are two powers in the country - while the Black population may have political power, the White population still retains economic power (Southall, 2006; BMF, 2015).

The government has failed to create an environment in which Black-owned businesses can thrive; even though they have expressed political will in their policies, there is still a huge gap between political will and execution. Most Black-owned businesses are survivalist or single-person run businesses, which are not capitalised, have a less experienced management complement, and have a smaller market share than White-owned businesses (Preisendorfer et al., 2012). This creates a situation where smaller businesses fail to survive tough economic conditions, leaving more market share for better capitalised businesses.

1.3.2.3. Insufficient research on the EFCs in South Africa that impact entrepreneurial activity amongst Black African people

The third sub-problem relates to insufficient research on the EFCs in South Africa that impact entrepreneurial activity amongst Black African people. Although the entrepreneurial conditions identified by the GEM assist in providing some explanation of the entrepreneurship profile of the country, it may be argued that they are open to hegemonic Eurocentric bias, as they were initially founded to test the level of entrepreneurship within and amongst Western countries before being adapted to the rest of the world. As a result, the framework created by the GEM lacks a vital element that is relevant to the South African context, in that it does not take into account the role of race as a key factor in determining entrepreneurial activity and success (Zahra, Wright, & Abdegawad, 2014).

An appraisal of the GEM methodology for determining the EFCs in a region or country highlighted various limitations, however the one that was the main subject of inquiry in this research paper was that the methodological requirements in terms of selecting experts to the National Experts Survey (NES), which informed the collection of information that resulted in the construction of the EFCs, did not explicitly take into account the inclusion of Black entrepreneurs as experts (Xavier, Kelley, Herrington, & Vorderwulbecke, 2012). That is to say, it does not have specific criteria in terms of the sampled experts that take into account the racial profile of the experts to be surveyed. In a country where the overwhelming majority of citizens and inhabitants are Black African, this can render their relevance to the South African context as questionable. The sampled group of experts, however small, needs to take into account the population demographics of a country in order to be representative, especially given the fact that the very majority that was not considered is the same one that has been disenfranchised for decades. Out of the 36 GEM experts interviewed in the NES in 2012 to gain an understanding of the entrepreneurial landscape in the country, less than 30% were Black South Africans (Xavier, et al, 2012), these figures have since improved to about 50% in 2016/17 (Herrington et al, 2016/17) . The number of experts that are people of colour may not be representative, when comparing to the population of Black Africans in the country, who constitute the majority (approximately 80%). This may indicate a mismatch between the lived experiences of Black entrepreneurs and what experts perceive their EFCs to be.

1.4. Research Questions and Objectives

Given the aforementioned factors, this research study attempts to answer the following research questions to address the corresponding objectives:

1.4.1. Research Question 1

Research Question: What are the challenges that Black African entrepreneurs have faced in establishing their businesses?

Objective: To investigate the different challenges that Black African entrepreneurs faced in establishing their businesses.

1.4.2. Research Question 2

Research Question: Does the policy framework implemented by the South African government encourage and sustain entrepreneurial activity amongst Black Africans?

Objective: To determine whether the current policies implemented by the South African government serve as a catalyst to entrepreneurs to start business and assist in the sustainability of their businesses.

1.4.3. Research Question 3

The third research question has been divided into two questions as follows:

1.4.3.1. Research Question 3.1

Research Question: What are the EFCs associated with entrepreneurial activity and sustainability amongst Black Africans in Johannesburg?

Objective: To determine what are the EFCs associated with entrepreneurial activity and sustainability amongst Black Africans in Johannesburg.

1.4.3.2. Research Question 3.2

Research Question: Are there differences between the EFCs associated with established Black-owned enterprises and those identified by the GEM consortium?

Objective: To determine whether there are differences between the EFCs associated with established Black owned enterprises and those EFCs identified by the GEM consortium.

1.5. Significance of the study

Socio-economic dynamics are affected by various aspects, such as political events and economic and demographic factors in any given region and during any time period. For this reason, it is imperative that theories on entrepreneurship stay abreast of the changes and historical factors relevant to, specific locations. A comprehensive understanding of entrepreneurship in South Africa is thus required from the perspective of local entrepreneurs.

It has been mentioned that Black-owned enterprises have historically been denied the opportunity to compete with other enterprises in the mainstream economy in various forms (Viljoen & Sekhampu, 2013; BMF, 2015; OECD, 2015). While the democratic state led to the open development of Black-owned businesses, various challenges were experienced by the entrepreneurs, the state, as well as other regulatory bodies in terms of ensuring successful integration into the mainstream economy (NPC, 2011; Bastos & Bottan, 2016). As a result, very little is known about the EFCs associated with Black-owned established enterprises (Herrington et al, 2012; Herrington et al, 2015; Herrington et al, 2016/17, Preisendorfer et al, 2012). At this juncture, more than 20 years after democracy, an evaluation of these conditions is pertinent in order to inform planning, as well as share lessons learnt with upcoming entrepreneurs in order to avoid unnecessary mistakes in the future.

A healthy entrepreneurial climate assists in combatting poverty, unemployment, inequality, crime and other negative socio-economic outcomes in a country (NPC, 2011; Herrington et al., 2016/17). This study will contribute towards enhancing policy formation in terms of the existing strategic entrepreneurship growth objectives of the government, and will help guide and inform government regarding methods of harnessing the entrepreneurial power of the disadvantaged Black African youth and adult population (NPC, 2011). This study will further add to the conversation about equality, and can contribute towards encouraging Black African economic empowerment efficiency as well as fighting poverty, improving skills and eradicating economic inequality (NPC, 2011; BMF, 2015).

The purpose of this research is to understand the unique EFCs that are associated with Black-owned established enterprises for the purpose of ensuring their growth. Since democracy, various studies have been conducted on entrepreneurship in South Africa; however Black African entrepreneurs have been somewhat enigmatic as it is not easy to understand the dynamics surrounding entrepreneurial success in this subset of the population due to lack of reliable data. Therefore, this study has significance in attempting to fill that gap within academia and provide a baseline from which other studies can further develop the research in this area. Academia is a vital starting point as it is the authority that can assist in advising decision-makers with empirical evidence for policy formulation. Furthermore, this research makes an addition to the subject matter by making recommendations towards developing a framework or perspective that is relevant to the South African market, and finally, contribute towards policy formulation that will result in more successful Black entrepreneurs becoming role models to budding entrepreneurs (NPC, 2011; Viljoen & Sekhampu, 2013; BMF, 2015; Herrington et al, 2012; Herrington et al, 2015; Herrington et al, 2016/17).

1.6. Delimitations of the study

This has study investigated the EFCs are relevant to Black African established entrepreneurs in South African entrepreneurs in Johannesburg, South Africa. In-depth interviews were conducted with entrepreneurs from various sectors in order to gain insight into their experiences, as well as to identify common themes that distinguish them from other entrepreneurs in an effort to determine whether race does play a role in entrepreneurial outcomes. An interpretive paradigm was utilised in this qualitative study, as the researcher believed that multiple realities may be used to understand certain phenomena (Marshall, 1988; Creswell, 2003) and that these should be explored in order to explain the current situation, that is, the dearth of Black African entrepreneurs in the mainstream economy of South Africa. As such, only established Black African entrepreneurs in the Johannesburg area were included in the study. Established entrepreneurs are those who own Businesses which have been in existence for three to five years and had a majority shareholding of over 51% Black ownership. .

1.7. Definition of terms

The table below presents various terms used in this study and the definitions thereof.

TERM	**DEFINITION**
Population group / race	Adapted from Stats SA's (2011) categories of racial groupings, which are categorised as follows: 1 Black African 2 Coloured 3 Indian/Asian/Asian 4 White 5 Other
Black African / Black	South African citizens of Black African descent. The term is adapted from Stats SA's racial classifications, which are also referred to as population groups. This term is used interchangeably with Black throughout the paper (Stats SA, 2011).
Black business/ Black African-owned established business/enterprise	Businesses owned by South African citizens of Black African descent. For the purpose of this research, the enterprise or business had been in existence for three to five years and had a majority shareholding of over 51% Black ownership (Herrington et al., 2012; 2016/17; Stats SA, 2014).
Entrepreneurial Framework Conditions	Conditions, factors and institutions in the economy of a specific region or country that can either encourage or discourage the level of entrepreneurial activity (Herrington et al., 2012; 2016/17).

Table 1: Definitions of terms used in the study

1.8. Assumptions

The main assumption of this paper, which is located in the interpretive paradigm, is that individuals seek an understanding of the world in which they live and work through subjective meanings of their experiences, i.e. meanings are directed toward certain phenomena or outcomes (Creswell, 2003). These meanings are varied and multiple, which led the researcher to look for a complexity of views rather than narrowing meanings into a few categories or ideas. This research thus relied as much as possible on the participants' views of the situation being studied (Parsons, 1997; Creswell, 1998; Creswell, 2003; Leitch, Hill & Harrison, 2010). It was assumed that the entrepreneurs interviewed for this study were knowledgeable about their field, and through their experiences were in the best position to speak about the factors that contributed to their growth in the sector. The meanings that they created from their lived experiences are the foundations of this study.

1.9. Chapter outline

The research paper proceeds by presenting an in-depth review of the relevant literature in Chapter Two, including related theories and policies. Chapter Three then describes the research methodology utilised, while Chapter Four presents the results of the study, Chapter Five discusses those results, and Chapter Six concludes the study.

1.10. Conclusion

South Africa faces a plethora of socio-economic challenges, the foremost of which are poverty, inequality and unemployment. This is aggravated by an economy whose growth and development is inhibited by its inability to accommodate or make provision for the majority of the population. Entrepreneurship, known to be a viable solution for many economic challenges, is insufficient in South Africa, and there is a gap in terms of information about Black Africans' entrepreneurial activity and the determinants thereof. Lessons were learnt from investigating this group, particularly the established entrepreneurs, which led to recommendations being made that could boost the likelihood of success amongst new and nascent entrepreneurs, and assist in combatting the aforementioned socio-economic challenges in the country.

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CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter focuses on summarising a broad range of literature in the areas linked to Black entrepreneurship in the Southern African region, but most specifically in South Africa. The research defines Black entrepreneurship as entrepreneurial activities undertaken by Black Africans, who are South Africans of Black African descent as adapted from Stats SA's racial or population group classifications (2011).

There is a general agreement in South African society that Black entrepreneurship needs to become a more widespread phenomenon (Preisendorfer et al, 2012). Achieving this will contribute significantly to the economic growth and development of the country, increase the level of general entrepreneurship, encourage entrepreneurship characterised by innovation, and create jobs and opportunities for upward mobility in status and economics, particularly for the previously disadvantaged population (Audretsch, Keilbach, Lehmann, 2006; Herrington et al., 2015; Stats SA, 2014). Importantly, it will also encourage exhaustive and robust studies on this topic, resulting in evidence-based policy formulation (Department of Planning, Monitoring and Evaluation (DPME), 2014).

This research paper sought to contribute in the study of Black entrepreneurship, referencing the existing research pertaining to this topic in South Africa pioneered by esteemed authors whose contributions are invaluable in characterising Black entrepreneurship (Audretsch et al, 2006; Preisendorfer, et al, 2012; Xavier et al, 2012). Existing literature explains entrepreneurship in certain countries or regions, therefore this paper used these explanations as tools to unearth the factors promoting, as well as those inhibiting, entrepreneurship amongst Black South Africans. Various entrepreneurial topics discussed in the literature touch on different variables, such as the national, cultural and social factors that explain the low levels of entrepreneurship amongst Black people, explanations of these low levels of entrepreneurship are then connected to networking and social capital, networks, ties and role models (Hofstede, 1980; Hofstede, 2011; Urban 2006; Urban, 2008). A reflection is done on social mobility theories; the importance of social embeddedness traced from Joseph Schumpeter (1974) and Max Weber (1958); different levels of entrepreneurial activity (Minniti & Bygrave, 2003; Herrington et al., 2012); physiological variables; commonly shared values; and motivation (McClelland, 1961; McGrath, MacMillan, & Scheinberg, 1992), with race and ethnicity acting as predictors of entrepreneurship activity in African countries (Ramachandran & Shah, 1999; Rauch & Frese, 2000).

While the value of these papers cannot be understated, a gap has been identified in relation to the lack of research on the EFCs associated with entrepreneurship amongst Black Africans in Johannesburg, South Africa. A study by Preisendorfer et al. (2012), which investigated the reasons behind a lack of entrepreneurial activity amongst Black Africans in the Eastern Cape, using the opinions of experts, is the closest study to the topic of interest. Their findings are categorised into "historical Apartheid explanation, financial resources explanation, human capital explanation, personality traits and mind-sets explanation, and social capital and network explanation (Preisendorfer et al, 2012, p. 1)". It is argued that all of these factors, to various degrees, contribute towards Black entrepreneurs establishing and sustaining businesses in South Africa.

Given the fact that this study investigated the EFCs associated with entrepreneurship amongst Black Africans in Johannesburg, South Africa, a decision was made to structure this literature review in a similar fashion to Preisendorfer et al.'s (2012) paper, by discussing the insufficient entrepreneurial activity amongst Black Africans in South Africa using the abovementioned categories. Thereafter, the discussion will focus on the available literature regarding the lack of racial transformation in the South African economy and the insufficient research on which EFCs impact entrepreneurial activity amongst Black African people in South Africa.

2.2. Definition of topic of background discussion

The topic of discussion in this literature review is, ultimately, the factors that contribute to the success, or lack thereof, of Black African entrepreneurs in South Africa. It is thus prudent to first define the following concepts: entrepreneurship, the EFCs proposed by the GEM, entrepreneurship amongst Black South Africans, and entrepreneurial framework conditions amongst Black South Africans. Entrepreneurship has been defined in various ways, as it is "a multifaceted, complex social construct that is enacted in many different contexts by a variety of actors" (Leitch, et al., 2009, p.68). It is a widely used term that denotes undertaking new activities in a quest to achieve something profitable. Mugobo & Ukpere, (2012), states that "the word 'entrepreneur' is taken from the French word *entreprendre*, which means to undertake or to do something" (Mugabe & Ukpere, 2012, p.828). An entrepreneur is an individual who possesses the ability to build and undertake business activities with the intention of creating wealth while driving economic growth through the employment of others. This kind of aptitude and acumen is rare and is only found in a small percentage of the population (Mugabe & Ukpere, 2012). In general and more popular terms, an entrepreneur refers to someone who creates and runs his or her own business. This individual possesses unique combinations of traits, which include a strong locus of control and the ability to take risks in creating wealth. Joseph Schumpeter, one of the world's greatest entrepreneurship theorists, linked entrepreneurship to innovation, risk-taking and creative destruction through the use of innovative technology in the marketplace (Braunerhjelm, 2010), while Israel Kirzner interpreted entrepreneurship as a process of creating market equilibrium through gap-filling (Mirghaed, 2015). Therefore, it suffices to summarise the concept as "the creation and management of new businesses, small businesses and family businesses, and the characteristics and special problems of entrepreneurs" (Carsrud & Brannback, 2014, p.167).

The GEM's EFCs have been defined as institutions or support systems that are needed in every country or region to facilitate entrepreneurial activity, as well as to ensure that it is sustainable. The lack of, or inadequacy of these conditions negatively influences the level of entrepreneurship in a country, as well as its economic growth (Herrington et al., 2015). For the purpose of this study, entrepreneurship amongst Black South Africans is defined as the creation and management of new businesses, specifically amongst Black Africans. EFCs amongst Black South Africans include the aforementioned institutions or support systems that are needed in every country to facilitate entrepreneurial activity as well as ensure that it is sustainable; this definition was adapted, in the current study, specifically for Black South Africans, by adding it to the selection criteria for the subjects if the study. This adaptation is in light of the fact that this research paper endeavoured to determine whether there are EFCs that are specifically related to Black African entrepreneurs in South Africa.

2.3. Insufficient EA amongst Black South Africans

As mentioned, there is insufficient entrepreneurial activity amongst Black Africans in South Africa. This is problematic in part because the Black African population group makes up the majority of the population of the country, and they also have the largest proportion of people who are uneducated, unemployed, living in poverty and living below the breadline (Stats SA, 2017a) after adjusting for the size of this sub-group and all other factors considered. The second element of this discussion relates to the fact that the rate of entrepreneurship in the country, as a whole, is lower than it should be (NPC, 2011; Stats SA, 2017b; Herrington et al, 2016/17). Therefore, given the fact that low levels of entrepreneurship in the country and specifically amongst Black Africans have been identified as a problem, it can be argued that if the problem is solved for this large sub-stratum of the population, then the problem will be very close to being solved in the rest of the country in general.

2.3.1. Historical Apartheid explanation

The historical Apartheid explanation for the insufficient levels of entrepreneurship amongst Black Africans in South Africa has been widely acknowledged. This explanation is characterised by the recognition that Apartheid was a relevant force in structurally limiting Black African people in the country, thereby having a bearing on their entrepreneurship potential (Ncube, Shimeles, & Verdier-Chouchane, 2012; Preisendorfer, et al., 2012; Fatoki & Chindoga, 2011; Venter, Urban, & Rwigema, 2008; Urban, 2006; 2007; Coomey, 2007; Sanchez, 2006; Southall, 1994). Although Apartheid is generally known to be a major contributing factor to the limited number of Black Africans succeeding in business, very few authors are able to empirically prove the extent of the direct impact of Apartheid on entrepreneurship activity amongst Black Africans in South Africa (Xavier, Kelley, Herrington, & Vorderwulbecke, 2012; Pogrunt, 2012; Preisendorfer, et al., 2012; Fatoki & Chindoga, 2011; Venter, Urban, & Rwigema, 2008). This could be attributed to the fact that Apartheid impacted all aspects of life, from psychological and sociological factors, to the environment, health, education and economics. In turn, as these factors have impacted entrepreneurial activity, one direct explanation is hard to reach.

It is estimated that over 500 laws were created by the Apartheid government with the intention of stifling and restricting Black entrepreneurship, including segregationist policies that forced Black people to live in townships with poor infrastructural development (Bradford, 2007; Bhorat, Hirsch, Kanbur & Ncube, 2013). These settlement patterns still prevail and offer limited opportunities for Black businesses today (Preisendorfer et al., 2012; Morris et al., 1999). Some argue, however, that South Africans put too much blame on Apartheid (Preisendorfer et al., 2012; Herrington et al., 2011; Urban, 2011; Ngcamu, 2002), while others say that entrepreneurs can prevail over all circumstances. Finally, some contend that South Africans have a sense of entitlement (Meyer, 2007; Geitlinger, 2016).

What is critical to understand is that segregation formed part of the South African narrative for over 350 years, and that the Apartheid legacy of discrimination, which became part of the structural formation of the country, impacted all areas of the lives of those who were marginalised. The impact of Apartheid was systemic, and even though the policy has been demolished, its legacy still has implications in many areas of society. Thus, as noted by Preisendorfer (2012), the impact of this explanation on other explanations has been seen, i.e. the financial resources explanation, the human capital explanation, the personality traits and mind-set explanation, and the social capital and network explanation.

2.3.2. Financial resource explanation

The financial explanation is one of the most commonly recognised and acknowledged explanations for the challenge of entrepreneurship worldwide, in particular for SMEs, and for the low levels of Black entrepreneurship (Preisendorfer, et al., 2012; Pretorius & Shaw, 2008, p.223; Atieno, 2009, p.33; Cook & Nixson, 2000; Graham & Quattara, 1996; Rwingema & Karungu, 1999). Studies have found that approximately 90% of the small enterprises surveyed stated that credit was a major constraint to new investments (Fatoki & Asah, 2011; Quartey, Turkson, & Iddrisu, 2017). The systemic and prevailing economic situation of South Africa is such that the vast majority of Black South Africans still live in poverty amongst high levels of unemployment (27.7%) due to a combination of historic reasons and the poor success of the economic policies instituted post the introduction of democracy (Stats SA, 2015; 2017b).

According to Bradford (2007), the ad hoc development of townships meant that there was insufficient infrastructure to cultivate small business development and create economic zones, while Kew and Marquette (2002) added that the refusal to allow Blacks to own property resulted in Black business owners not having assets to use as collateral for accessing funds from financial institutions. The Group Areas Act also limited Blacks to rural economic zones with limited access to markets, increasing their risk of doing business. The Act further implemented a paternalistic system where people fell under the stewardship of headmen or chiefs, limiting their agency over the land. This ties into De Soto's concept of 'dead capital', where "the less privileged in developing countries already possess land and businesses but lack the kind of formal property rights over these assets that could raise their value and convert them into live capital" (2000).

This structural and systemic inequality still prevails, and has resulted in a White-controlled economy, with institutions of wealth such as banks and financial institutions being largely owned by White people (Fallis, 2013; Coomey, 2007; Ponte & Van Stittert, 2007; BMF, 2015). The stronghold of White economic dominance is still present, with some Black entrepreneurs experiencing it through the use of every "trick in the book" to delay and undermine efforts towards Black economic growth through bureaucratic denial tactics (Coomey, 2007). The efforts of the government to transform and equalise these institutions through the redistribution of wealth have yielded poor results for disadvantaged females and rural and disabled citizens, while favouring the Black elite (Coomey, 2007).

A lack of access to financial resources perpetuates the cycle of poverty. Financial support, literacy and training, together with mentoring and coaching, are noted to increase the chances of success in township enterprises (Preisendorfer, et al., 2012). Parker (2009) mentioned that starting a business requires capital to be able to fuel it until it shows results, while Pretorius and Shaw (2008) and Atieno (2009) reported that a lack of finance is one of the major constraints to the formation of new enterprises. In a study of township businesses, Bradford (2007) empirically proved that a skill required by both registered and unregistered businesses is "how to keep financial records for my business"; the firms featured in the study noticed that they were not managing their financial records efficiently. Maas and Herrington (2006), meanwhile, indicated that a lack of financial support is the second major contributor to the low TEA rate in South Africa.

According to Fatoki and Chindoga, (2011), SMEs have a failure rate of 75% in South Africa. Beck (2007) concurred, finding that the non-availability of external finance is one of the major reasons for SME failures in South Africa. Pretorius and Shaw (2004) further observed that a large percentage of the failure of entrepreneurial ventures in South Africa can be attributed to inadequate capital structure or resource poverty, because insufficient capital can result in entrepreneurs giving up before their venture takes off, or recouping profits instead of reinvesting them in the growth of the business.

The argument around financial resources is not completely one-sided however, as some entrepreneurs have been able to persevere and succeed without the financial support of financial institutions, family and friends; they were able to take a risk and make a business out of very little. Secondly, experts argue that there are sufficient financial resources in South

Africa amongst government agencies and venture capitalists; some believe that there are not enough good ideas to meet these organisations' needs (Herrington et al., 2012; Preisendorfer et al., 2012). It has also been argued that entrepreneurs need skills and training on how to become investor-ready to access these funds, and that government finance agencies are not well marketed and are thus unknown to entrepreneurs (Fatoki & Asah, 2011).

There are numerous types of financing models for small businesses, with varying degrees of risk attached. The major distinction between them is that their source is either equity or debt financing (Venter, Urban, & Rwigema, 2008). The need for financing is multiple; firstly, financing reduces the risk of cash flow challenges for SMEs, as the business has enough liquidity for operations while waiting for payments from debtors. Secondly, the high cost of regulations when starting a business in South Africa can drastically reduce cash flow before the business is fully functional (World Bank (WB) & International Finance Corporation(IFC), 2010; Fatoki & Asah, 2011). These costs extend to the financial institutions geared to assisting SMEs with skills and training, such as business consulting and advisory services, as there is a large skills shortage in the SME sector as a whole. Thirdly, there is often a need for an upfront investment in technology, franchising or licensing fees, local patents, and business insurance against crime prone areas in the townships, and these fees can act as barriers to entry (Fatoki & Asah, 2011).

2.3.3. Sources of financing (own money versus other people's money)

As per Venter and Urban (2015), financing a venture through bootstrapping is one of the most effective ways of financing a business without losing any equity. Entrepreneurs may rely on capital from their own savings, investments, sales of assets, friends. Due to the high levels of unemployment, poverty and inequality in South Africa, most South Africans cannot afford to finance or invest in their own capital when starting a business and must seek help from other people. Financing a venture with other people's money is thus one of the most common forms of financing, as it contains a variety of options from debt to equity financing models. It may be as simple as sourcing financing from family and friends, to taking out a personal loan from a bank. Personal loans may be made against assets that individuals own, which are used as collateral that banks can liquidise in case of business failure. The challenge occurs when individuals cannot produce the assets required to secure funding (Fatoki & Asah, 2011, Herrington et al., 2012, Preisendorfer et al., 2012, Venter et al., 2008, Venter & Urban, 2015).

Fatoki and Asah (2011) asserted that is even harder to obtain financing from private institutions for smaller business than it is for larger businesses, as the economics make more sense when organisations are larger and more established; the risk level is relatively easier to mitigate with more assets submitted as collateral than for smaller businesses. The finance challenge of entrepreneurs is no different in other African countries, for example entrepreneurs in Ghana also report that a lack of financial support is the key inhibiter to the start-up and growth of companies (Abor & Biekpe, 2006; 2007). The reworking of the BBBEE Codes of good practice by the South African government (DTI, 2013) has encouraged enterprise development spend by private companies in the area of comprehensive support of businesses, however (Ponte & van Stittert, 2007; Coomey, 2007).

Government institutions, NGOs and private venture capitalist companies also provide financing for start-ups, with government institutions' capital injections being created for the sole purpose of increasing the levels of Black entrepreneurship at almost no equity loss to the entrepreneurs themselves (Bradford, 2007). Yet, since 1994, the government has invested heavily in finance-related initiatives in the SMME sector with limited success (Fatoki & Chindoga, 2011; Bradford, 2007; Kew & Marquette, 2002). It has thus created and merged different institutions with the hope of increasing their efficiency in funding previously disadvantaged entrepreneurs, and now their focus is on more than just the financial capabilities of the institutions they support.

The prevailing sentiment reflected in the literature about these governmental institutions is that they are not efficient enough, they are highly bureaucratic and corrupt, and they have little capacity to support the South African population (Herrington et al., 2012, Bradford, 2007; Rogerson, 2004; Kew & Marquette, 2002; Nieman 2001). The provision of finances does not in itself guarantee the emergence of many businesses; studies have indicated that a significant number of business failures are due to a lack of access to appropriate technology; the existence of laws, regulations and rules that impede the development of the sector; weak institutional capacity; and a lack of management skills and training (Fatoki & Asah, 2011). Reducing these challenges will go a long way to reducing the barriers to entrepreneurial entry into the market.

2.3.4. Human capital explanation

Understanding and mastering human capital is critical to the growth of entrepreneurship in South Africa, because investment in human capital influences people's career choices, affects their attitudes towards entrepreneurial activity, and is positively correlated with business ownership (Siqueira, 2006; Venter & Urban, 2015). The original measures of human capital in literature were educational level, educational speciality, work background (work experience) and tacit knowledge, which are closely related to the human capital variables of knowledge, work experience, entrepreneurial experience and education, as commonly outlined today (Zarutskie, 2008; Venter et al., 2008; Urban et al., 2011). Gratton and Ghoshal (2003) provided a more comprehensive definition of human capital, which posits that when provided with the relevant resources, an individual has to participate in an autonomous way, while taking part in the democratisation of work. These resources are social capital, intellectual capital and emotional capital.

The human capital theory further postulates that knowledge provides individuals with improvements in their cognitive abilities, leading to a positive benefit in their business activities (Venter et al., 2008). Further, Bronzini and Piselli (2009) positively linked human capital with positive economic growth through higher productivity levels. Human capital is considered one of the most influential forces when it comes to boosting productivity, and research has shown that human capital is derived from an entrepreneur's skills, prior learning experience (both in work and school), abilities, and knowledge. Along with many other authors, Urban, Barreira Botha and Oosthuizen (2011) defined human capital as including aspects of intellectual capital, emotional capital, and social capital (Sternberg & Wannerker, 2005; Herrington et al., 2012; Preisendorfer et al., 2012; Urban et al., 2011; Venter et al., 2008; Siqueira, 2006).

2.3.4.1. Components of human capital

In broad terms, Urban et al. (2011) stated that entrepreneurial human capital literature and research are focused around the following areas which are necessary for entrepreneurial success: higher education, entrepreneurial experience, broad social and professional networks, and firms started by teams instead of individuals. The combination of education, work experience and training can all be either general learnings or specific to the task, industry or role the entrepreneur plays. General human capital incorporates one's overall work experience, education and training, while specific human capital is limited to the scope of a task, activity and context (Urban et al., 2011). In the context of improving firm performance, the study of human capital shows that general human capital in specific areas such as science or engineering is more beneficial to an entrepreneur in high-tech industries than in broader streams like business management and law (Zarustskies, 2008). This suggests that it is more beneficial for entrepreneurs to have general human capital in specific areas of their entrepreneurial interest.

2.3.4.2. Higher education

Education is one of the most highly acknowledged variables of the human capital construct, both in general and specific education. The level and quality of education increases intellectual capital, supports emotional capital, and deepens social capital when correctly applied (Peterman & Kennedy, 2003; Barrett, 2011). Siqueira (2006) documented in her study that higher levels of education are associated with business ownership and encourage entrepreneurship, while Herrington et al. (2012) concluded that most successful entrepreneurs have some form of tertiary education, although too much education is not good as it discourages risk taking. This is consistent with research that supports the link between an individual's education level and firm performance (Cooper, Gimeno-Gasco & Woo, 1994; Peterman & Kennedy, 2003; Siqueira, 2006).

Education provides entrepreneurs with much needed skills to succeed in business, such as problem solving, self-efficacy, analytical, research, computational and communication skills (Urban et al., 2011). The process of education also teaches entrepreneurs characteristics that otherwise only come with experience, such as perseverance, endurance and tenacity, which are useful for entrepreneurial success. It is generally accepted that education gives an edge to entrepreneurs when it comes to achieving high growth; studies have shown that a founder's years of schooling and their work experience are good determinants of success in an organisation (Venter et al., 2008; Brüderl, Preisendörfer, & Ziegler, 1992). Some research has suggested that entrepreneurial skills are improved by higher education, as it serves as a proxy for entrepreneurial skills (Zarutskie, 2008; Baum, Locke & Smith, 2001).

Given the above information about the power of education and its link to firm performance and productivity, it is logical to assume that the most educated individuals will create great businesses; however this depends on the type of income economy of a country. In high income economies such as many western countries, approximately 57% of entrepreneurs have post-secondary educations, while in low income economies like many African countries; only 23% of entrepreneurs have post-secondary education (Acs, Arenius, Hay & Minniti, 2004). Yet in many countries, both high and low income, uneducated entrepreneurs break the mould and become successful despite their education level. This is often used as an argument against the need for education; however these entrepreneurs are outliers and may have had some level of education, training or experience in an unconventional or less noticeable manner (Urban et al., 2011). Herrington et al. (2012) described a dichotomy of entrepreneurial activity linked to one's level of education, suggesting an association between necessity entrepreneurship and low levels of education, and opportunity entrepreneurship and higher levels of education; however this notion oversimplifies the complex variables of entrepreneurship.

2.3.4.3. Entrepreneurial experience

Entrepreneurial experience is one of the most consistent predictors of future success, given that an entrepreneur has experience that they are able to use to avoid costly mistakes that an inexperienced entrepreneur is likely to make (Wright, Clarysse, Mustar, & Lockett, 2007; Barringer et al., 2005). According to Timmons (1999), successful entrepreneurs have developed a solid foundation of different management skills and know-how over a number of years in cross functional areas. Barringer et al. (2005) concluded that specific forms of knowledge and intensive education, such as in engineering, provide a recipient with an advantage if they start in the same industry. It can, therefore, be argued that entrepreneurial experience is beneficial if it is path dependent, following on educational path. As per Urban et al. (2011) there are two types of entrepreneurial experiences, one that is task specific and another that is industry specific.

2.3.4.4. Task and industry specific human capital

According to Zarustskie (2008), human capital that is specific to the primary tasks of entrepreneurs is task specific, while industry specific human capital dictates that experience in a job or industry will enhance a worker's productivity in that job or industry in spite of where they work. This is consistent with Waldman (1999) and Lazer (1995), who argued that entrepreneurial teams that have different types of experiences in tasks are likely to manage better performing teams. Similarly, Urban (2011) suggested different types of network ties to increase the flow of critical information and support for the entrepreneur. Waldman (1999) and Lazer (1995) also developed theories that support industry specific human capital, suggesting that there is a link between an entrepreneur's ability to successfully launch and grow a business and the way in which they work. Entrepreneurs who have industry experience in the same industry they are launching a business in will have a better chance of success as they have more mature networks; the rationale is that a path dependant experience enhances productivity and growth (Bronzin & Piselli, 2009).

The challenge with South Africa is that the high unemployment rate has become a reason for the government to suggest that unemployed youth should start a business instead of doing nothing. Positive as this may sound, these young, unemployed youth have often not had any work experience that is either path or industry dependent, and thus are likely going to struggle or make costly mistakes in the beginning. According to Bradford (2007), Fatoki and Chidingo (2011) and Preisendorfer et al. (2012), South African entrepreneurs need both industry and task specific human capital at different levels of their entrepreneurial journey. For survivalist or necessity driven entrepreneurs, especially in townships, human capital in financial management and financial record keeping has been found to be essential to business success, while for opportunity driven entrepreneurs, specific industry driven experience, as well as crucial industry skills, are critical to business success. Unfortunately, this leads one to an unrealistic assumption that in higher growth entrepreneurial ventures, general human capital skills are present and industry specific skills are needed.

2.3.4.5. Firms started by teams rather than individuals

The third area of human capital literature that is important for business success is the area of team start-ups. According to some authors, firms started by teams have a greater chance of success than those started by individuals for a number of reasons (Watson, Steward, & BarNir, 2003). These include that individual human capital is expanded by the collaborative effect of the founding members; that the business has a greater reach in resources such as capital, staff and any assistance needed; that the start-up has a diversity of viewpoints which reduces the risk of entrepreneurs having an "illusion of control"; and it has a larger pool of networks to source from (Gratton & Ghoshall, 2003). The idea of individuals starting firms and creating empires on their own is glorified, yet larger teams have the task specific and industry specific human capital to succeed; the social and intellectual capital; and the vested interest and support of team members (Urban et al., 2011).

This supports the notion that entrepreneurs should seek good founding teams with the appropriate human capital combinations to increase the probability of the firm's success, yet when it comes to Black South Africans, the pool of individuals with those skills in their social network may not be broad, as the education and skills base is low (Preisendorfer et al., 2012). It also places the need for BBBEE at the forefront of economic growth, both for Black South Africans as they stand to gain in skills and economic transfer, and for all South Africans who will benefit in terms of economic growth, a reduction in poverty and inequality, and the transformation of entrepreneurship. The human capital explanation, like the Apartheid explanation, is key, because education is core to human capital and central to other explanations. Since 1994, the South African education system has had some successes, but for the most part has failed to transform into an equitable system. Many South Africans still lack access to the quality education that leads to entrepreneurial success (Herrington et al., 2012; Fatoki & Chidingo, 2011; Preisendorfer, 2012; Urban et al., 2011, Venter et al., 2008; Luthans & Stajkovic, 1999).

2.3.5. Traits and mind-set explanation - the role of personality traits in entrepreneurial behaviour

The main arguments around this explanation are related to the notion that entrepreneurship is complex and high risk, and thus requires an individual with a distinct behavioural personality that can deal with it (Llewellyn & Wilson, 2003). Personality traits and mind-set conditioning that are consistent with entrepreneurial behaviour are identified in the literature in various ways, from the classical "risk-bearing, uncertainty traits" (Schumpeter, 1961; Kirzner, 1973; Knight, 1921; Marshall, 1930; Baumol, 1993), to the more contemporary personality-based traits such as "internal locus of control, aggressive aversion, marginality, need for achievement and big five traits" (Zhao & Sibbert, 2006; Co, 2003). The initial premise of the literature in terms of personality traits seems to suggest that entrepreneurial success is dependent on the kind of personality traits that entrepreneurs possess. Some traits are better suited to entrepreneurship than others (Rauch & Frese, 2000; Co, 2003; Preisendorfer, Bitz & Bezuidenhout, 2012).

Caprana and Cervone (2003) concluded that personality traits encompass the ability to respond or react in certain ways, depending on the circumstance. This assumes that certain people who consistently respond positively under certain circumstances would have personality traits that would be preferable for those situations. An example of this would be proactiveness in dealing with uncertainty in entrepreneurial environments acting as a predictor of entrepreneurship trait disposition (Rauch & Frese, 2000). Preisendorfer et al. (2011) argued that Black South Africans, given historical factors, lack the personality traits identified by literature as being essential for entrepreneurial success. Their study found that Black people lack traits such as self-confidence and self-efficacy, and are highly risk averse. They further posited that the collective culture of Black people does not foster entrepreneurship, but is rather an inhibitor.

2.3.5.1. The big five traits – extroversion, neuroticism, agreeableness, conscientiousness, openness to experience

Some studies argue that there are five broad traits that have an impact on entrepreneurial activity and success: extroversion, neuroticism, agreeableness, conscientiousness, and openness to experience (Costa & McCrae, 1992; Llewellyn & Wilson, 2003, Zhao & Seibert 2006). According to Zhao and Seibert (2006), extroversion describes the extent to which people display personalities of being dominant, assertive, energetic and talkative, while Llewellyn and Wilson (2003) stated that people who are high in extroversion are outgoing, gregarious, optimistic and sociable, and people who are low in extroversion tend to be quieter and prefer more time alone. Extroversion is positively associated with enterprising occupations such as sales.

Neuroticism represents individual differences in adjustment and emotional stability; individuals high on neuroticism tend to experience a number of negative emotions including anxiety, hostility, depression, self-consciousness, impulsiveness, and vulnerability (Zhao & Seibert, 2006). People who score low on neuroticism can be characterised as self-confident, calm, even tempered, and relaxed. Highly neurotic people can be prone to big mood swings and changes in attitude and disposition, which can be seen as unwanted behaviour in the highly changing business environment and thus not associated with business success (Zhao & Seibert, 2006).

Agreeable people can be perceived as being easy to get along with; individuals who are high on agreeableness are characterised as trusting, forgiving, caring, altruistic, and gullible (Zhao & Seibert, 2006). Someone who scores high in agreeableness has a low tolerance for conflict and a higher preference for positive interpersonal relationships. Someone at the low end of the dimension can be characterised as manipulative, self-centred, suspicious, and ruthless (Costa & McCrae, 1992; Digman, 1989). In business, people with high levels of agreeableness may be seen as having ‘no back bone’ and being people-pleasing, which are not considered positive traits in terms of leadership in business.

Conscientiousness indicates a person’s ability to work hard and persevere in difficult circumstances, driving and motivating themselves towards success. According to Barrick and Mount (1991), this construct is like a tolerance for hard work. Conscientiousness is made up of two ideas in literature - achievement motivation and dependability, which concentrate on the ability of the individual to be deliberate, organised and structured in their approach (McClelland, 1961; Zhao & Seibert, 2006). Individuals who are high in conscientiousness prefer to stick within the rules and regulations, and work hard.

Openness to experience describes individuals who are intentionally curious and adventurous in life. These individuals love to interact with the world around them, and question existing thoughts and experiences. Someone who is high in openness to experiences is described as being creative, innovative, imaginative and liberal, and breaks existing patterns or the status quo. Someone who is low on openness is conforming, rigid, conservative and narrow. Openness is positively correlated with intelligence, especially aspects of intelligence related to creativity, such as divergent thinking (McCrae, 1987). This is consistent with the Schumpeterian classical view of entrepreneurship of innovation and creativity (Zhao & Seibert, 2006).

All these constructs have in them narrower descriptions of broad personality traits, such as anxiety, gregariousness, risk-taking, achievement motivation and dependency. The number and validity of each narrower construct still remains to be proven empirically in some cases (Llewellyn & Wilson 2003); researchers fall on both sides of the fence when debating the validity of these constructs, with some using the narrower traits of risk taking and proactiveness taken from classic Schumpeterian entrepreneurship literature, supported by empirical studies of achievement traits to prove validity (Schumpeterian, 1934; McClelland, 1961). This, however, has been overshadowed by subsequent research conducted on personality traits and entrepreneurial start-ups. Gartner (1986), Aldrich (1999) and Rauch & Frese (2007) argued, for example, that attempting to average out the personality types of entrepreneurs is problematic, as entrepreneurs are a heterogeneous group of individuals who cannot be described in terms of personality dichotomies. It has been argued that historical factors such as the Apartheid regime have influenced the confidence and psyche of Black

Africans, influencing their ability to assert themselves in post democratic society (BMF, 2015), although the extent to which this has occurred is yet to be proven conclusively.

2.3.6. Social capital

Social capital is defined as extensive, fluid and reciprocal relationships with people (Urban, 2011). Entrepreneurs develop intellectual capital by assessing the skills and knowledge that people possess (Urban, 2011, Gratton & Ghoshal, 2003). These relationships come in the form of network ties, mentorships, coaching and in-group relationships, which can be helpful in the formation or growth phase of the business through the sharing of knowledge, expertise and even provision of financial and non-financial support (Urban, 2011). These network ties may be direct or indirect, vary in intensity and outcomes, and are also known to be positively associated with firm performance. A diversity of network ties is crucial for wider access to different information and new business, markets, innovation and assistance (Urban, 2011). The challenge in South Africa is that the level of entrepreneurship is low and the level of Black successful entrepreneurship is even lower (Herrington et al., 2012). This creates an environment where upwardly mobile Black entrepreneurs have little access to the social capital that can positively influence them to pursue entrepreneurship and fill the gap in their needs (Preisendorfer, et al., 2012, Fatoki & Chidingo, 2011; Venter et al., 2008).

2.3.6.1. Emotional capital

Emotional capital contributes integrity and self-awareness to build open and trusting relationships, which underpin the creation of social capital. This is also associated with the courage and resilience for risk taking actions that characterise entrepreneurship literature. Gratton and Ghoshal (2003) defined emotional capital as one aspect of human capital, along with other components such as individual's intellectual and social capitals. Emotional capital is further defined as what we [humans] think and know (Thomas, 2010). Individual emotional capital is made up of self-awareness, self-esteem and personal integrity. According to Baron and Shane (2005), emotional capital is linked to emotional intelligence, which is the ability to monitor one's own and others' feelings and emotions, to discriminate amongst them, and to use this information to guide one's thinking and actions. These are all necessary skills to positively influence a team's actions and productivity, to be able to recognise decreased morale, and to positively address negative emotions. Emotional capital contributes integrity and self-awareness to meaningful relationships, creating deep-rooted social ties (Urban, 2011). Herrington et al. (2012) stated that, "South Africans, despite the mounting unemployment and massive poverty- exhibit high levels [23,7%] of fear of failure" (Herrington et al, 2012, p. 42). The fear of failure is one of the major barriers to Black entrepreneurship, fear of failure which may link to the perception of opportunities in the economy and the perceived abilities of entrepreneurs to exploit these opportunities. The ability of Black entrepreneurs to be self-aware, emotionally intelligent, mitigate risk and confront fear is central to emotional capital.

2.3.6.2. Intellectual capital

Intellectual capital pertains to the fundamental attributes of cognitive complexity, capacity to learn, tacit and explicit knowledge, and the skills and expertise that an individual builds over time (Urban et al., 2011). The ability of individuals to possess the knowledge and skills to solve problems through creative problem solving is increasingly being recognised as integral to organisational and entrepreneurial success and it is imperative to equip individuals with knowledge and skills, and to create experts across all industries (Stiles & Kulvisaechana, 2005). This capital is highly valuable in the market and forms an entrepreneur's competitive edge or product in time based services such as consulting and investment banking. Entrepreneurs need these skills to overcome all the various challenges that they face in the marketplace; however the South African basic education system has not developed expertise in these disciplines (Herrington et al., 2012). This leaves some entrepreneurs unprepared for the challenges that come with running a new business, contributing to the high failure rate of 75% (Fatoki & Asah 2011). Although there are no direct measurements, many authors argue that the Apartheid impact of Apartheid on Black people had far reaching effects on their social, emotional and intellectual capital (Preisendofer, 2011; 2012; Fatoki & Chidingo, 2011; Co, 2003). This in turn may have affected the way in which they approach life and entrepreneurship, although it is not the only reason cited for the low level of entrepreneurship in South Africa.

2.3.7. Network explanation

Social capital has been defined as the relationships, memberships and networks from which individuals are able to derive institutional support and extract benefits (Venter et al., 2008). Social networks are provided by extended family, community-based relationships or organisational relationships, which in theory provide financial and non-financial support (Venter et al., 2008). The strength and heterogeneity of network ties makes a huge difference when it comes to the filtering of information and reach of an entrepreneur who requires support. According to Urban (2011), literature is increasingly suggesting that networking may be the most crucial source of knowledge for entrepreneurs (Arenius & de Clercq, 2005; Audretsch & Keilbach, 2004; Davidsson & Honig, 2003). The lack of entrepreneurs in the Black population group in South Africa therefore poses a serious challenge, as there simply are not enough entrepreneurs to act as mentors and role models, to demystify entrepreneurship, and to act as agents of change.

Entrepreneurship does not occur in a vacuum, but rather in a complex system that fuels itself (Herrington et al., 2012). Social networks can be seen as quantifiable networks, and are referred to by some as capital that can be "cashed-in" when the need arises (Preisendorfer et al., 2012). These networks provide assurance and comfort, and create tolerance for certain risk appetites. The more diverse, strong, deep and experienced the network, the better the chances of success for the entrepreneur who correctly utilises it (Cameron, 2007). There are various types of research on networks that increase the chance of success in business, which also pay attention to the type of network ties that entrepreneurs have and their roles (Urban, 2011). The effect of some networks is clearly defined in terms of the type of assistance provided, for example some may provide financial assistance, while others offer non-financial support (Aldrich & Carter, 2004). According to Welter and Smallborn (2006) and Davidson and Honig (2003), trust is the key ingredient required when maintaining these networks of relationships; there is an obligation of trust to deliver in accordance with the agreed expectations, or the network becomes weaker.

A concern with Black entrepreneurship is that there is a lack of quality network ties, however the argument can be made that there is a need for diverse networks across racial boundaries (Urban, 2011). This argument is partially correct as network ties are of greater value to the entrepreneur when they are heterogeneous, however when considering the Apartheid history of the country, it is not surprising that divisions of race have presented formidable barriers to entrepreneurship. South Africa's diversity has proven to be a disadvantage instead of the inherent advantage it has the potential to become.

2.3.7.1. Entrepreneurial heritage

Entrepreneurial heritage, which is a part of social network ties, is described as the background of the entrepreneur. This heritage includes factors such as the father's occupation, the family's work ethic, religion and family size (Venter et al., 2008). These factors shape the mind and experiences of the entrepreneur in a manner that can either be conducive to entrepreneurship or not. Hirsch (1990) interviewed 5,000 female entrepreneurs and found that the majority of those in the sample had fathers who were self-employed. There are other mitigating variables internal to the entrepreneur however, and entrepreneurial heritage is not an absolute science given that individuals are heterogeneous and respond differently to different sets of circumstances. Families influence entrepreneurial attitudes towards risks and activities through their values and aspirations, while positive entrepreneurial role models encourage the desire and need to embark on entrepreneurial ventures. All of the aforementioned factors considered, a need has been identified to determine the factors associated with entrepreneurial activity and sustainability amongst Black Africans.

2.3.8. Research Question 1

What are the challenges that Black African entrepreneurs have faced in establishing their businesses?

2.4. Lack of racial transformation in the South African economy

The lack of racial transformation in the South African economy has been identified as a problem in this study. While racial transformation has occurred to a certain extent politically, economic transformation has proven to be more challenging. There are various explanations for this, however an examination of the policies that have been implemented by the government in an attempt to correct this may shed some light on whether these have had an impact on the transformation of the economy. More importantly, it may lead to a greater understanding of the progress made in terms of the level of entrepreneurial activity amongst Black Africans in the country.

2.4.1. Economic policy initiatives provided by the democratic government

Since democracy, the Government of South Africa has made various policy provisions in an attempt to redress the economic challenges that have resulted in unemployment, poverty and inequality, particularly amongst Black Africans. These policies and/or programmes include Broad Based Black Economic Empowerment (BBBEE), the Reconstruction and Development Programme (RDP) (1994), Growth Employment and Redistribution (GEAR)

(1996); the Accelerated and Shared Growth Initiative South Africa (ASGISA) (2006) and the Framework of New Economic Growth Path (2010).

2.4.1.1. Broad Based Black Economic Empowerment (BBBEE)

According to Macozoma (2003), the concept of Black Economic Empowerment (BEE), [which would later become Broad Based Black Economic Empowerment (BBBEE)], surfaced for the first time in public at the second conference of the Foundation for African Business and Consumer Services in May 1991. Prior to this, the concept had been debated privately within party and other political structures and had taken time to be accepted in the broader South African political economy. It has been suggested that this could be due to the fact that Black business organisations were unable to generate enough revenue and social capital to dedicate to the advocacy of their interests, and they were focussing on more inherent pressing challenges that existed due to Apartheid. The fact that the ANC was indecisive about BEE, regardless of its attempts to deracialise the economy, further contributed to the slow development of the policy (Macozoma, 2003). It is noteworthy that BEE was “initially defined and shaped by White capitalist interests in an attempt to deflect the new government from focussing on whole-scale de-racialization projects. Capital attempted to find a relatively painless way of including Black people in the economy. It was based on financial engineering, which in turn owed its success to the stock exchange boom” (Macozoma, 2003, p.24).

The government has legislated the development of Black-owned businesses through a comprehensive BBBEE policy, which prioritised the development and cultivation of these businesses as a mechanism for redressing the economic inequalities created by Apartheid. BBBEE focused on the broadening of ownership and control of capital accumulation, with the intention of deracialising ownership structures and the top echelons of the business community (Ponte & van Sittert, 2007; BMF, 2015). The policy has since been amended twice to move away from ownership in order to address and meet the needs of a wider audience through supply chain and procurement amendments, enterprise development, employment equity, skills development and more (DTI, 2013). These changes deal with the widespread criticism that Black empowerment enriched only a politically connected minority, rather than the average disadvantaged person (Ponte & van Sittert, 2007).

The BEE concept is problematic as it has resulted in the forced emergence of a Black bourgeois class, rather than an organic one. Furthermore, it emerged at the same time as the restructuring of the South African economy for reasons of efficiency and competitiveness, which has created massive unemployment and poverty. This has inevitably resulted in the development of a notion that this small group of people is “accumulating wealth at the expense of working people” (Macozoma, 2003). As if that were not enough, the way it is implemented demonstrates an “inability to comprehend its interests and make corrective action where those interests are threatened by factors such as abject poverty in the country” (Macozoma, 2003). This has led to a contentious relationship between the benefactors of BEE and the masses.

2.4.1.2. Reconstruction and Development Programme (RDP)

The RDP was centred on involving and empowering ordinary people in order to develop the state. Some positive gains were made in terms of infrastructure development through building new roads, providing clean water, electrification, land reform and housing (Lodge, 1999). The ANC wanted to have a strong social development plan that included alleviating poverty, increasing inclusiveness, creating openness and redistributing land, whilst meeting the neoliberal demands of market stability (Ncube et al., 2012). They made these changes through redefining government spending rather than through increasing national taxation or raising public borrowing (Lodge, 1999). This was problematic however, as there was insufficient extra revenue to make the changes happen.

Evaluating the success of the RDP is relative and depends on whose criteria of success are being used. Lodge (1999) argued that if the RDP is assessed based on its leftist ideals, the level of success is neither high nor low; “with respect to redistribution, within the limits of conservative public finance, there has taken place a fairly substantial reallocation of resources and services. The relatively low cost of this and its impact in certain quarters do represent a real indictment of the old regime. So much more could have been achieved when goods and services were cheaper than they are today”.

In terms of economic progress, the government has yet to publish an industrial policy that is unambiguous that will identify the priorities for public investment so as to encourage certain kinds of economic ventures. The left’s argument that growth will be significantly boosted by the new domestic markets for manufacturers created by better living standards represents a prospect which is still fairly remote. More importantly, especially in the context of this paper, the response from business to the RDP was that "it would like to see a smaller and less expensive state; given the political pressures for job provision the government has demonstrated restraint in not enlarging the public payroll" (Lodge, 1999). Thus, in order for businesses to be established and flourish to the extent that they create employment, the conditions that allow for that should be provided by the state.

2.4.1.3. Growth Employment and Redistribution (GEAR)

In 1996 the government proposed a new economic policy called Growth Employment and Redistribution (GEAR). GEAR committed to "increasing annual economic growth by an average of 4-6%, create 1,35 million new jobs by the year 2000, boost exports by an average of 8,4% per annum through an array of supply-side measures, and, drastically improve social infrastructure" (Marais, 1997; Ncube et al., 2012). The plan depended largely on the ability of the government to gain investment from the private sector in order to reduce social inequality and poverty. At the time it was conceived in 1997, social inequality was high; "with growth rates averaging between 5 % and 7%, White per capita income rose by 43%, while for Africans the increase was a mere 13%" (Ncube et al., 2012). A reduction of social and economic inequality and poverty, needless to say, was difficult to achieve.

The policy did have some success however, as the South African Revenue Service (SARS) made great strides in improving revenue collection after gaining autonomy in 1997 (Khamfula, 2004). GEAR's fiscal policy also constrained the deficit to below 3% of GDP in 1997/1998 (Ncube et al., 2012). A weakness of GEAR's was a market orientation strategy that had multiple objectives, from redistribution of wealth to economic growth. The challenge was to grow the economy and meet the redistribution and welfare objectives of the state through job creation and low governmental expenditure. Meeting both objectives at once was unrealistic (Marais, 1997; Ncube et al., 2012), as it "provided no targets for reducing inequality and viewed job creation as the main avenue for income redistribution". Furthermore, it aimed to meet its employment targets by "restricting wage increases and allowing payment of sub-poverty level wages to sections of the labour force" (Marais, 1997).

In the early stages, "according to the Reserve Bank, the GDP growth rate dropped to -0.8% in the first quarter of 1997, down from 3.3% in the last quarter of 1996". Even more depressing figures by the Central Statistical Services showed a net loss of 71,000 jobs in 1996, whereas

GEAR had predicted 126,000 new jobs (Marais, 1997). It was, however, not entirely a failure; the economy grew at an average of 3% from 2000 to 2010, and at 4% for the last two years (Fallis, 2013). The drivers of this growth were cheap money, low inflation and a strong currency, in tandem with the buying power of an emerging Black middle class. Yet a need arose for strong, sustained accelerated economic growth at higher levels than 6% by 2010 for the economy to meet its social objectives of halving unemployment and poverty by 2014 (Hirsch, 2006; Fallis, 2013). This led to the development of the Accelerated and Shared Growth Initiative Framework (ASGISA), (Fallis, 2013).

2.4.1.4. Accelerated and Shared Growth Initiative South Africa (ASGISA)

According to Fallis (2013), the general economic sentiment was positive in mid-2004, with many economic analysts predicting steady growth all the way to the end of the decade. There was strong business confidence, with growth reaching 5% in some parts of 2005, and Rand Merchant Bank's (RMB) economic confidence index soared as 86% of businesses expected a continuance in the current economic performance. Yet this necessitated acceleration to levels beyond 6% if the objectives outlined by the ASGISA framework were to be met. The government aimed to halve unemployment to 15% from 30% and reduce poverty to one-sixth of households between 2004 and 2014, which required an average of 4.5% growth in that decade (Hirsch, 2006).

The growth rate was imbalanced in two ways; it was due to strong commodity prices, as well as strong capital inflows resulting from foreign direct investment and attracted to the high return in the emerging markets sector, influencing strong consumer demand. This led to a strong Rand that meant that local exporters outside the commodity sectors could not remain competitive. Commodities are a huge part of the South African competitive portfolio, thus the weakening Rand demonstrated the country's inability to compete in other sectors, resulting in a trade deficit of 4.3% of GDP in 2005. Thus, the need to strengthen other sectors of the economy for a more balanced and inclusive economy became unquestionable (Fallis, 2013; Ncube et al, 2012).

The second imbalance was that although unemployment was reduced to around 26%, and while poverty reduction and inclusive growth were central to South Africa's growth policies, there remained a large population group, about one-third of the total population, that was not benefiting from the recent economic growth. The policies were simply not making much of a difference in the lives of these people, and significant changes were needed in the growth trajectory to ensure that the growth benefits were much more evenly distributed, reaching the most vulnerable of citizens (Fallis, 2013). The challenge seemed to be the structural imbalance of the economy, which favoured the privileged White minority and ensured that positive economic growth favoured the already privileged and had little impact on the underprivileged Black majority.

This was partly due to the fact that there were not enough ways in which the underprivileged could directly benefit from the growth; the labour force participation rate was still low at 55%, and there was falling employment in agriculture and mining, which were the highest intake sectors of low skilled workers (Hirsch, 2006). The government aimed to respond to these constraints with interventions in the following areas: infrastructure programmes, sector investment strategies, education and skills development, the second economy and SMMEs, including regulatory reforms around BEE, micro-economics issues and public administration issues with delivery. Some of the most notable investments were made between 2005 and 2008 in the area of infrastructure programmes, with R370 billion spent by the public sector mainly on power generation (Eskom - R80 billion) and distributions through railways, harbours and oil pipelines (Transnet - R47 billion). The preparation for the 2010 FIFA World Cup also led to the building and renovation of ten football stadiums and the upgrading of roads and infrastructure around the stadiums to improve access to them. This created jobs, albeit some were temporary in nature.

One of the key areas the government aimed to make major reforms in was the education sector, however this resulted in a number of unfruitful reforms of the curriculum, which resulted in South Africa's education being classified amongst the poorest in the world, despite huge government expenditure (Herrington et al., 2009; 2011; 2015; Stats SA, 2014; Schwab, 2014; Hirsch, 2006). The level of education did not improve enough for low skilled individuals to take advantage of, and benefit from, the solid economic growth rate, and the maths and science target, which was to double the output of graduates by 2008, was not reached. A contentious yet positive reform achieved by the government was the amalgamation of universities, higher education institutions and Further Education and Training (FET) colleges (Fallis, 2013).

Although the government could not reform the economy though their current policies, they remained confident that their BBBEE amendments would help to create an inclusive economy through the newly introduced Codes of Good practice (Fallis, 2013; Coomey, 2007; Ponte & van Sittert, 2007).

2.4.1.5. The framework of the New Economic Growth Path

The NGP embraces the concept of a developmental state, where the government understands its role in the social economic growth of the country. It aims to focus expenditure on levers and "job drivers" of employment. According to van Aardt et. al (2011), these job drivers are substantial public investments in infrastructure development to create jobs directly and indirectly; improving the sectors that are highly labour absorbing such as mining, manufacturing and agriculture; taking advantage of new knowledge driven economies such as the green economy; leveraging social capital in the social economy and public sectors; and fostering rural development and regional integration.

The NGP has been a failure, as the state not only did not maintain a 7% GDP growth rate as they envisioned, but the GDP has fallen consistently since 2011, being revised to less than 1% in 2015 (Stats SA, 2016). This has resulted in job losses, mainly in sectors such as mining and agriculture, which the NGP had relied on for job creation. The mining sector has been plagued with poor production, increasing labour costs, loss making due to electricity or power outages caused by Eskom's load shedding, and competitive resources prices in other countries. The agricultural economy has also recently suffered from a drought, which has resulted in losses in production and poor agricultural yield, as well as a drop in employment.

These poor performances from the key job drivers have confirmed what van Aardt et. al (2011) predicted was an ambitious NGP that required at least a GDP growth rate of 10% to create jobs for five million people. The NGP has thus not yielded much in the way of benefits, and the unemployment rate remains extremely high at 40% (Herrington et al., 2015). There are still four years left in which the NGP can produce outcomes, but at the current 1% GDP growth rate, the chances that it will meet its objectives are slim. The NDP must thus adjust its plans dramatically to remove the structural conditions of inequality and respond to the current economic position, or face a similar outcome in 2030 (Stats SA, 2014; van Aardt et. al 2011; Ncube et al., 2012).

The efforts that the government has made in terms of ensuring that the ‘playing field’ is levelled and that racial transformation in the economy occurs in order to combat poverty and inequality in South Africa are acknowledged widely in literature and in this study (Macozoma, 2003; Coomey, 2007; Ponte & van Sittert, 2007; NPC, 2011; van Aardt et. al 2011; Ncube et al., 2012; Fallis, 2013). The question still remains as to whether these efforts are sufficient however, and specifically whether they translate to entrepreneurship amongst the majority of the population.

2.4.2. Research Question 2

Does the policy framework implemented by the South African government encourage and sustain entrepreneurial activity amongst Black Africans?

2.5. The role of EFCs in influencing entrepreneurial activity amongst Black Africans

The paucity of research on the EFCs that impact entrepreneurial activity amongst Black people in South Africa has been identified as one of the problems in this study. This sub-section focuses on reviewing mainly the GEM consortium’s literature on entrepreneurship, and discusses the elements that have been identified by the GEM as catalysts and/or inhibiters of entrepreneurship in the South African context. This is taken specifically from the point of view of entrepreneurship amongst Black Africans in the country.

2.5.1. Introduction to the Global Economic Monitor (GEM)

The GEM is a research programme that focuses on major entrepreneurship research and its link to economic growth (Reynolds, Bosma, Autio, Hunt, de Bono, Servais, Lepez-Gacia, & Chi, 2005). According to Sternberg and Wenneker (2005), the GEM model was created by Reynolds, Hay, & Camp, (1999); Reynolds, Hay, Bygrave, Camp, & Autio, (2000); Reynolds et al, (2001); Reynolds, Bygrave, Autio, Cox & Hay (2002); Reynolds et al, (2003) and Acs et al. (2004), based on an idea by Michael Hay in 1997 to create an enterprise index that would be the same as the World Economic Forum’s Global Competitiveness Index but for entrepreneurial activity. At a country level, the GEM has introduced nine EFCs, which determine the entrepreneurial opportunities and capacity in a country. These are: “financing for entrepreneurs, government policies, government programmes, entrepreneurial education and training, research and development transfer, commercial and professional infrastructure, internal market openness, physical and services infrastructure and social and cultural norms” (Herrington et al., 2015).

These framework conditions are institutions or support systems that are needed in every environment for entrepreneurship to thrive. A lack or dysfunction of these EFCs negatively influences the level of entrepreneurship in a country, and inevitably, economic growth (Herrington et al., 2015). The GEM consortium uses two main surveys to collect data on the status of entrepreneurship, the first of which is the GEM Survey of Entrepreneurship, which "complements other major business creation surveys by providing unique information on individuals (attributes, values, activities) and their interaction with the environment in practising entrepreneurial behaviour (proactiveness, innovativeness and responsible choices)" (Herrington et al., 2015, p.13). The second is the National Expert Survey (NES), which provides information on the local environment faced by start-up entrepreneurs, using the opinions of experts in the field of entrepreneurship in the country. One of the aims of this research was to examine the NES and its output, the EFCs, in order to compare them with, and locate them in, the South African context, particularly amongst Black African entrepreneurs.

2.5.1.1. The GEM's Survey of Entrepreneurship

According to Levie and Autio (2008), the basic assumption of all the conceptual frameworks of the GEM, dating from the first research project undertaken in 1999, has been to consider "entrepreneurial activity as an output of the interaction of an individual's perception of an opportunity and, capacity (motivation and skills), to act upon this opportunity and the distinct conditions of the environment in which the individual is located" (Reynolds et al., 2000; 2001; 2003; 2005; Sternberg & Wennerkers, 2005; Herrington et al., 2015, p.13). The GEM has three key objectives (Herrington et al., 2015, p.13):

1. "To determine the extent to which entrepreneurial activity influences economic growth within individual economies;
2. To identify factors which encourage and/or hinder entrepreneurial activity (especially the relationships between national entrepreneurship conditions, social values, personal attributes and entrepreneurial activity); and
3. To guide the formulation of effective and targeted policies aimed at enhancing entrepreneurial capacity within individual countries".

The GEM's findings have consistently indicated that entrepreneurial activity differs amongst countries, supporting the notion that policy interventions into the factors that contribute to entrepreneurship take time to be formulated. Another important finding is that entrepreneurial activity, in varying forms, is positively correlated with economic growth, according to phases of economic development (Acs & Amorós, 2008; Van Stel, Carree & Thurik, 2004 ; Wennekers et al., 2006; Herrington et al., 2015, p.13).

2.5.1.2. Theoretical background of the EFCs

In building the foundation for the EFCs, Levie and Autio (2007) linked the GEM model to entrepreneurial theories that were developed by respected entrepreneurial theorists such as Schumpeter (1934), Kirzner (1978) and Leibensteins (1968). This was done to build the credibility of the GEM Model, which was originally published by Reynolds, Hay and Camp (1999), and was subsequently reflected upon in Levie and Autio (2007; 2008). Recent literature has not been able to explicitly prove the variables of the GEM model empirically, and have, as a result, been vague in providing a precise theoretical grounding (Levie & Autio, 2007; 2008).

Valliere (2010, p.98) concurred, stating that the "linkage from these empirical findings to entrepreneurship theorizing has not yet been as far developed, thus the usefulness of the GEM model in the development of future theories of entrepreneurship remains relatively unexplored". This poses a challenge to the academic credibility of the GEM model and its subsequent use in economic policy. According to Reynolds et al. (2005), the GEM model maintains that established business-activity at the national level varies with the General National Framework Conditions (GNFC), while new or entrepreneurial business activity varies with the national level of entrepreneurial opportunity and entrepreneurial capacity. These, in turn, vary with Entrepreneurial Framework Conditions (EFC). The GEM model is multilevel in that it takes into consideration both the individual level and national levels, with the EFC at a national level and the individual capacity and activity measure at an individual level and aggregated to a national level.

Therefore, entrepreneurial activity at an individual and national level may respond to different sets of environmental parameters than established business activities (Levie & Autio, 2008). Some of the literature concedes that the model has been primarily used to guide data efforts, as there has not been a clear indication of how associations between the theoretical framework and the model are empirically linked. As a result, the model merely assumes a positive association between EFC and entrepreneurial activity (Valliere, 2010;

Levie & Autio, 2008). According to Valliere (2010), the EFCs have not been tested for construct validity, which is problematic as there is a need to prove the model to be secure before any theoretical scafolding can take place upon its results (Levie & Autio, 2008).

2.5.1.3. Measuring entrepreneurship according to the GEM

The GEM's multiphase research defined entrepreneurs into six different categories according to the stage of entrepreneurship they are in. These definitions are comprehensive, accommodating various types of entrepreneurs. The revised GEM Conceptual Framework has four components, i.e. the "social, cultural, political and economic context, social values towards entrepreneurship, individual attributes and entrepreneurial activity. The social, cultural, political and economic context is defined according to the twelve pillars of competitiveness derived from the World Economic Forum's Global Competitiveness Index, and the nine components of GEM's Entrepreneurial Framework Conditions" (Herrington et al., 2015, p.12). These values include aspects such as the extent to which society values entrepreneurship as a good career choice; whether entrepreneurs have high societal status; and the extent to which media attention to entrepreneurship contributes to the development of a positive entrepreneurial culture (Sternberg and Wennerker, 2005). The GEM also assesses broader societal attitudes about entrepreneurship, which can indicate the extent to which people are engaged in or willing to participate in entrepreneurial activity, and the level of societal support for their efforts. The GEM database allows for the exploration of individual or business characteristics, as well as the causes and consequences of new business creation (Sternberg & Wennerker, 2005).

Individual attributes are composed of different demographic factors (such as gender, age, geographic location); psychological factors (including perceived capabilities, perceived opportunities, fear of failure); and motivational aspects (necessity versus opportunity based ventures, improvement driven ventures) (Sternberg & Wennerker, 2005; Herrington et al., 2015). These have a huge effect on the entrepreneurship level of a country, as gender and age can contribute to the economic participation level of individuals of working age (Bosma, Levie, Bygrave, Justo, Lupoutre, & Terjesen, 2010). In some patriarchal societies, women are not allowed to participate in the business or work, unless they work from home. This can influence the gender disposition of female entrepreneurs, while youth composition or age differences can either positively or negatively influence the number of people in a society who are available to become entrepreneurs (Bosma et al., 2010). In the case of South Africa, as with many developing countries, South Africa has a young population structure. This, coupled with the fact that a significant proportion of the youth are unemployed, should translate to higher levels of entrepreneurship, yet in reality it has not. It is also worth noting that while demographic factors are accounted for in this individual attributes component, race has not been explicitly taken into consideration.

Entrepreneurial activity is defined according to the phases of the life cycle of entrepreneurial ventures. The first of these includes intentional entrepreneurs, i.e. potential entrepreneurs who not only see the opportunities and believe in their own capabilities to exploit them, but who are actively preparing to start a business in the next three years (Herrington et al., 2012, 2015). What is noteworthy is that a potential entrepreneur does not include those who are deterred by the fear of failure, which accounts for 30.3% of the population in the South African context (Reynolds et al., 2005).

Nascent entrepreneurs "are those who have started a new business, but have not yet paid salaries or wages for more than three months, new entrepreneurs are running new businesses that have been in operation between 3 and 42 months, and established business owners are running a mature business, in operation for more than 42 months. These entrepreneurs are undeterred by the fear of failure" (Herrington et al., 2015, p.14). This definition was adapted for the purpose of this study, and will be expounded upon in coming sections. Lastly, "discontinued entrepreneurs are those who, for whatever reason, have exited from running a business in the past year" (Herrington et al., 2015, p.14). All entrepreneurs, regardless of the stage that they are in with their businesses can be classified according to the type of activity (high growth, innovation, internationalisation); and sector of activity (Total Early stage Entrepreneurial Activity (TEA), Social Entrepreneurial Activity (SEA), Employee Entrepreneurial Activity (EEA) (Herrington et al., 2015, p,12).

2.5.1.4. The National Expert Survey (NES)

Every year, each country that participates regularly in the GEM surveys a minimum of 36 key experts on EFCs (Herrington et al., 2015, pp.33-34). A number of criteria are provided which must be met when selecting experts, to ensure that a balanced and representative sample is attained. At least four experts from each of the EFC categories must be interviewed, and no less than 25% must be entrepreneurs or business people, and 50% must be professionals.

Other factors, including geographical distribution, gender, involvement in the public versus private sector, and level of experience should also be taken into consideration during sampling (Herrington et al., 2015, p.34). GEM researchers are encouraged to source information from various mediums, agencies and professional networks. “Experts were chosen for their depth of experience, seniority within organisations, areas of specialisation and affiliation. Thirty eight percent of the respondents were engaged in full-time entrepreneurial ventures; whilst a number of others indicated that they were involved in small business in addition to their primary job” (Herrington et al., 2015, p.17; Reynolds et al, 2005).

2.5.1.4.1. EFCs measured by the NES and their effect on business

The figure below was reproduced from the GEM South Africa report, and depicts the GEM’s Conceptual Framework. The part circled in red is the main focus of this study. This study is particularly concerned with investigating how social values as well as individual attributes influence or are influenced (bi-directionality), by entrepreneurship. These aspects are elaborated on in the pages that follow, encompassing each of the EFCs that have been identified by the GEM.

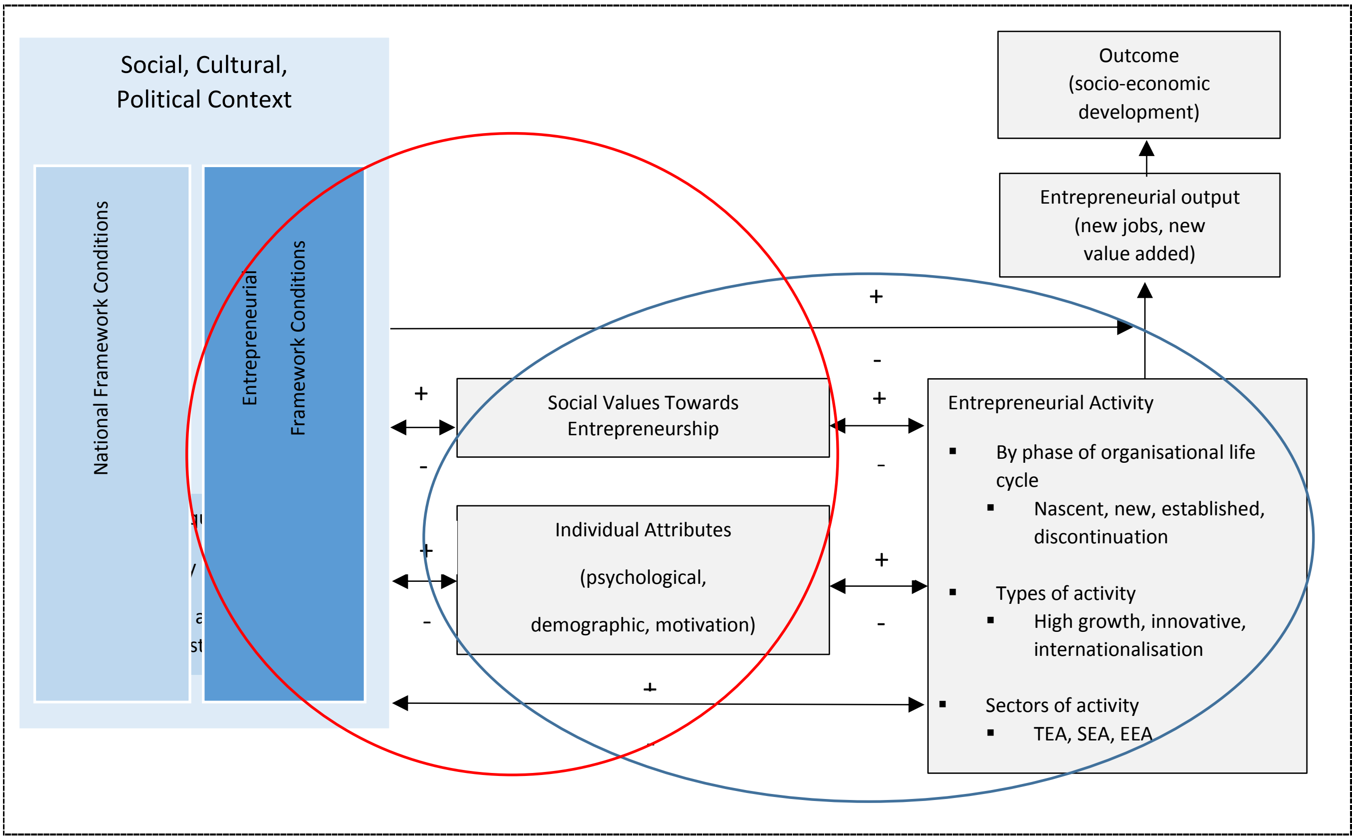

Figure 1 : GEM Conceptual Framework (GEM, 2014)

2.5.1.4.2. Financing for entrepreneurs

Financing for entrepreneurs encompasses the availability of financial resources, i.e. equity and debt for new and growing firms, including grants and subsidies. According to the experts surveyed by the GEM, some of the constraints that affect financing include the high cost of finance, crippling interest rates, lack of access to VC funding, difficulty in gaining access to funding, inaccessibility to crucial seed funding, lack of early stage funding of new technology venture, lack of micro-finance initiatives, lack of bridging finance, and lack of government subsidies for early stage seed investments. This EFC refers to the access to supply and demand of financial services such as debt, equity and subsidies from banks and other lending institutions, usually as capital for new start-ups. Companies can borrow money from friends or family, or get investors to get the venture going. Banks have become more conservative, seeking collateral that most start-ups do not have (Xavier, Kelley, Herrington, & Vorderwulbecke, 2012).

Finance is one of the most important aspects of entrepreneurship as it is clear that no matter what venture one enters into, there is usually an upfront fee or capital outlay required before one can make money (Levie & Autio, 2008). According to Levie & Autio (2008), "finance is the only external regulator explicitly mentioned by Schumpeter (1934), who focussed on "credit being primarily necessary for new combinations of entrepreneurship" (Schumpeter, 1934: 70). Leibenstein (1968) acknowledged the need for capital and also recognised that capital requirements differ from country to country. Levie and Autio (2008) argued that entrepreneurs in some countries have to "employ political strategies" (Levie & Autio, 2008, p.10) to obtain access to funding, as funding may depend upon family connnections rather than merit. As one of the most widely cited reasons for not engaging in entrepreneurship (Choo & Wong, 2006), a lack of entrepreneurial finance is a common challenge in Africa, and although South Africa is known to have sufficient funds available, there seems to be a disjuncture between the institutions providing funding and the entrepreneurs seeking finance (Herrington et al, 2015). The main issues cited include the finance constraint, a lack of sufficient collateral on the part of entrepreneurs, a lack of access to markets, poor market research and the inability to produce business plans by entrepreneurs.

2.5.1.4.3. Government policies

This EFC describes "the extent to which government policies, such as taxes or regulations, are either size-neutral or encourage new and growing firms" (Herrington et al., 2015, p.16).

The fact that government regulations can directly affect an entrepreneurial firm is one of the issues most cited by non-entrepreneurs in studies of barriers to start-ups (Levie & Autio, 2008). Other studies have tended to mix together regulations, taxes and labour market rigidities as barriers to entrepreneurial start-ups (Choo & Wong, 2006; Levie & Autio, 2008). Research indicates two main ways in which regulations can pose a challenge for enterpreneurship, the first of which is the long and tiring process of registering for company permits and licenses, which can delay the market entry process and thus reduce the advantage that the initiating company may have in terms of a window of opportunity (Levie & Autio, 2008). Regulations also give power to those that enforce them and open the process up for abuse; some governmental organisations responsible for regulations are amongst the most corrupt. As a result, this makes it difficult at times for honest business people to do business with integrity, as some of those that do well do so because of corruption rather than success. According to Levie and Autio (2008), there is a negative relationship between the number of licenses and permits required for entry and new firm formation rates.

Regulations are also very expensive to keep up with; some of the regulation costs are so high that they create a financial barrier to entry on their own by increasing the start-up costs for new businesses.According to the experts interviewe in the GEM, regulatory constraints include, "Red tape, restrictive labour laws and unnecessary regulatory burdens, limited tax incentives and labour issues" (Xavier et al., 2012). There is a growing consensus, however, that entrepreneurship can and should be addressed by congruent policies at the national and regional levels, with many countries already having made strides to influence entreprenuerial growth in this manner (Xavier et al., 2012; Davies, 2012). This is consistent with Liebenstein's (1934) thought that policies should focus on enhancing the efficiency of the market, as well as provide an environment that is responsive to motivated entrepreneurs.

According to Levie and Autio (2008), the theoretical work of the GEM has emphasised the need to stimulate not only entrepreneurs, but also the general economic development of countries. This means that for different economies there are different gap filling functions at different levels or stages of the economy. It also means that the economies may be different in their equilibrium point of entrepreneurial activities, thus policies must take these dynamics into account and stimulate the economy appropriately. This EFC does not measure the effectiveness of an entrepreneurially geared policy, but rather focusses on the level of priority that entrepreneurship policies are given in a country (Levie & Autio, 2008). Yet this might not be an adequate or efficient manner of evaluation, as an entrepreneurship policy may be highly prioritised and budgeted for, yet be ineffective due to poor policy implementation, corruption and other forces resident in the economy. It does, however, suggest that government should seek the perspective of entrepreneurs when an entrepreneurship policy is formulated, which is a sentiment that has been echoed by many organisations such as the OECD and the EU Directorate (Levie & Autio, 2008).

South Africa also has some policies that are geared towards encouraging entrepreneurship, and in particular Black entrepreneurship, in an effort to grow the economy and encourage more equal economic participation (Acs & Szerb, 2007; Ponte & Van Sitteret, 2007). However, South Africa's labour laws are widely viewed as being highly restrictive and one of the sources of business efficiency constraints, ranked amongst the lowest in the world at 113 of 144 nations. Furthermore, they are considered to be stifling to entrepreneurs and are heavily skewed towards employees, and dismissal requirements are viewed as being too expensive and inflexible for small businesses (BMF, 2015). South Africa has also been accused of being slow to institute any reforms that make it easier to do business in the country, largely due to the exploitative history of the country. It seems that it will take some time before a policy is formulated that relaxes the labour laws, as the inequalities from the Apartheid system are still present today (Vilakazi, 2011; Davies, 2012; Xavier et al., 2012). Some of the constraints of South African government policies identified by the GEM are "restrictive labour laws…, onerous labour legislation; in fact, onerous legislation in general, limited tax incentives, unnecessary regulation burdens, and labour issues" (Herrington et al., 2012; 2015).

2.5.1.4.4. Government programmes

The GEM describes this EFC as "the presence and quality of direct programmes to assist new and growing firms at all levels of government (national, regional, municipal)" (Herrington et al., 2015, p.16). Nurturing entrepreneurship is one of the government mandates that increases entrepreneurship success, thus government agents, through dedicated government programmes or professional services, must nurture the growth of companies in their markets (Levie & Autio, 2008). This support is critical to the growth of companies that were created or originated in South Africa that could one day compete amongst the best in the world. Governments have different ways of supporting the growth of new firms, including creating programmes that facilitate and endorse company growth such as enterprise development programmes, or policies that shield and protect small companies from exposure to intense competition in the early stages of development.

Multinationals can come into the market and compete with local firms at an advantage in terms of financing or size or popularity, which can result in them monopolising the market and driving prices down to eradicate local competition. This is why it is important for the government to create subsidies and initiatives that can stimulate more local firms and protect them from direct competition with multinationals. Some of the constraints of the government policies include, but are not limited to, "lack of access to skills development programs, superficial national government support to developing businesses, slow and inadequate governmental services to support small business, lack of coordination of available efforts and resource, lack of training for entrepreneurs before start-up, a platform to match the entrepreneurs with the services that they require does not exist, lack of access to support such as mentoring, infrustructure, incubators and computers" (Herrington et al., 2012; 2015).

2.5.1.4.5. Entrepreneurial education and training

Entrepreneurial education and training is the "extent to which training in creating or managing new, small or growing business entities is incorporated within the education and training system at all levels – primary and secondary school and post-school entrepreneurship education and training" (Xavier et al., 2012; Herrington et al., 2015, p.16). Rae (2005) argued that entrepreneurial learning is an important area of enquiry that is not well understood in academic study or entrepreneurship, nor in the practical development of new entrepreneurs. Furthermore, Schumpeter (1934) and Kirzner (1973) observed the importance of learning in the entrepreneurial process.

This section refers to two EFCs, both of which emphasise the inclusion of entrepreneurial education in each stage of the learning process. The extent to which entrepreneurship is incorporated into post-school qualifications is just as important as the extent to which entrepreneurship is included into primary and secondary education; the quality of all education must complement entrepreneurship education and training (Xavier et al., 2012; Herrington et al., 2015). Levie and Autio (2008) stated that entrepreneurship training can enhance the supply of entrepreneurship in three different ways: "they can help with the supply of skills required to start and grow new firms, through the enhancement of cognitive abilities of individuals to manage the complexities involved in opportunity and, through the cultural effect on student attitudes”. Furthermore, potential entrepreneurs “learn how to apply their abilities within networks of social and industry relationships. These abilities, skills and know-how are often applied in the core activity of the new enterprise” (Rae, 2005).

The education system in South Africa should incorporate entrepreneurship as part of the curriculum as early as possible, because the sooner individuals are exposed to entrepreneurship-encouraging activities the better, so as to avoid building patterns of behaviours that kill the entrepreneurial mind. Yet the quality of education in primary and secondary schools in South Africa is not adequate at the moment; in fact, the South African education system ranks amongst the lowest performers in the world in terms of the quality of maths and science education (Baller, Dutton & Lavin, 2016). Based on the fact that education impacts an individual’s ability to perceive opportunities around them, as well as their own self-confidence, it is understandable that South Africa has one of the lowest TEA rates in the Southern region (Xavier et al., 2012).

The diverse nature of the population in South Africa poses a challenge to entrepreneurial education and training, and demands that the development and presentation of entrepreneurship education and training interventions consider its heterogeneous nature. According to Nieman (2001, p.448), “any training programme that addresses the daily running of a business should be adapted for the different cultural groups” and it is important that teachers at schools and “small business educators/trainers be sufficiently aware of African cultural issues, particularly in the rural areas where traditional knowledge and shared values, attitudes and beliefs exist” (p.449).

A Western Cape Status of the Youth report by Herrington, Kew, Overmeyer, Maas & Maas (2008), found that entrepreneurship education can have a significant impact in the following areas: a learner’s self-confidence about their entrepreneurial abilities, their understanding of business and financial matters, and their desire to pursue entrepreneurship and further their education. The lack of entrepreneurial education incorporated in the primary and secondary education system creates entrepreneurs who are only exposed and trained in entrepreneurship at the post high school level, who cannot compete with the level of entrepreneurship at a global scale (Xavier et al., 2012). Furthermore, Nieman (2001, p.445) argued that “the training emphasis of small, medium and micro enterprise service providers in South Africa still seem to be more on conventional training than entrepreneurial training, additionally, entrepreneurship and business training are confused as being similar, while training interventions aimed at personal motivation and entrepreneurial skills are few".

Findings from a study conducted by Man (2006) on behavioural patterns of entrepreneurial learning suggested that "there are six behavioural patterns of entrepreneurial learning, including: actively seeking learning opportunities; learning selectively and purposely; learning in depth; learning continuously; improving and reflecting upon experience; and successfully transferring prior experience into current practices" (p.309). Practically, an emphasis is made on behavioural modification of the entrepreneur's learning patterns rather than skill or knowledge acquisition only (Man, 2006). This ties into the argument that there are limitations in economic theory in terms of understanding the human, sociological and psychological aspects of entrepreneurial behaviour (Rae, 2005). "This should also be grounded upon the provision of appropriate contexts that provide or simulate the experiences of which the entrepreneur will likely come across, so that the learning behaviours can be stimulated" (Man, 2006).

There are various other approaches to entrepreneurial learning and training suggested in the literature, including the experiential approach, which posits that "entrepreneurial learning not only means repeating what has been successfully done in the past and by others and avoiding what has failed, but also involves an active interpretation of experience by the learner; the *Cognitive/affective approach* (which) focuses on considering learning as a mind work of acquiring and structuring knowledge, and includes different attempts to demystify the process of entrepreneurial learning by focusing on different cognitive, attitudinal, emotional, and personality factors affecting learning; (and) the *Networking approach*, (which) argues that the skills and knowledge of the small to medium-sized enterprises' (SMEs') owners/managers are largely acquired through their social relationship within and outside their organizations, which is extended beyond the SME and towards a broader spectrum including suppliers, customers, bank managers, previous companies, university education, professional membership, parents, and mentors" (Man, 2006, pp.310-311).

Similarly, the contextual learning approach suggested by Rae (2005) "occurs through participation in community, industry and other networks in which individual experiences are related, compared and shared meaning is constructed. Through these situated experiences and relationships people can develop intuition and ability to recognise opportunities" (p.328).

Lastly, the negotiated enterprise is premised on the argument that "the business venture is not enacted by one person alone, but through negotiated relationships with others. [Thus] the ideas and aspirations of individuals are realised through an interactive process of exchange with others within and around the enterprise, including customers, investors and co-actors such as partners and employees" (Rae, 2005, p.329).

Some of the constraints identified by the GEM are: a "dysfunctional education system, poor education at primary and secondary levels, skills deficiencies in maths and science, low education and skills base and an absence of skills in key sectors" (Herrington et al., 2012; 2015). The lack of training programmes that are appropriate for the South African context (Nieman, 2001) may be added as a further challenge or constraint to entrepreneurial education and training. Therefore, various approaches of entrepreneurial learning and training need to be explored within the schooling system in South Africa, including basic and higher education, in order to address these constraints.

2.5.1.4.6. Research and Development (R&D) transfer

The research and development transfer EFC refers to "the extent to which national research and development will lead to new commercial opportunities, and whether or not these are available for new, small and growing firms" (Herrington et al., 2015). This will depend on, firstly, the quality of research institutions and the ability of universities to collaborate with industries (Xavier et al., 2014). In terms of the quality of scientific research institutions, in 2014, South Africa ranked well, coming 34 of 144 countries, which is surprising for a country that ranks poorly for its quality of maths and science at the pre-university level. South Africa also ranked 30 out of 144 countries for the ability of universities to collaborate with industries, yet 122 of 140 for its availability of scientists and engineers (Sala-I-Martín, Bilbao-Osorio, Di Battista, Hanouz, Galvan & Geiger 2014; Xavier et al., 2014). This poor access to engineers and other professionals is consistent with the poor performance in maths and science at the primary and secondary school level. This results in industries' inability to take advantage of the commercialisation of ideas generated by universities.

Levie and Autio (2008) and Schumpeter (1974) emphasised the importance of technological development as a driving force of entrepreneurial opportunities. This argument has been developed further in the knowledge spill-over theory of entrepreneurship (Acs, 2006; Acs, Arenius, Hay, & Minniti, 2005). Levie and Autio (2008) expanded on the knowledge spill-over theory by positing that knowledge by itself is a necessary, but not sufficient, condition for economic growth, adding that not all inventions can be innovations and not all innovations can be commercialised. That said, it is also true, as per the GEM models, that countries that transfer knowledge generated by R&D from laboratories to entrepreneurs relatively quickly and cheaply should generate more innovative new businesses than those in which this process is costly or slow (Levie & Autio, 2008).

2.5.1.4.7. Commercial and professional infrastructure

This EFC details "the presence of commercial, accounting and other legal services and institutions that allow or promote the emergence of small, new and growing business entities, for example the sub-contractors, suppliers, consultants and professional services as well as banking services" (Xavier et al., 2012; Herrington et al., 2015). This is critical to the development of business as it allows for specialised services to be offered to a company without the entrepreneur's direct involvement. Entrepreneurs are therefore able to focus on the key performance areas of their business in the early stages, enabling them to grow more steadily (Levie & Autio, 2008). Commercial and legal infrastructure scored a 2.95 mean score and 5 out of 5, with 1 being the lowest performance and 5 being the highest in the NES. This suggests that the commercial and legal infrastructure in South Africa is actually quite good, however many new and growing businesses cannot afford the cost of these services (Xavier et al., 2012).

Legal services are amongst the most important services in the early stages of a firm's formation (Levie & Autio, 2008). These services are also offered by enterprise development institutions as well as government entrepreneurship programmes, however government initiatives may not be freely accessible or efficient, and entrepreneurs do not always exploit the opportunities available to them. According to Davies, O'Meara and Dlamini (1984), institutions such as the Industrial Development Corporation (IDC) have always been around and are a legacy of Apartheid, i.e. they have not historically been to the advantage of Black entrepreneurs. A relationship where budding Black entrepreneurs can exploit the assistance of the government should thus be something to investigate (Banerjee, Galianit, Levinsohn, Mclaren, & Woolards, 2008). The recent drive for entrepreneurship, as well as the proliferation of BBBEE, has led to more and more private companies looking for ways in which to offer assistance to other new and growing Black companies. Some private institutions such as banks and large conglomerates offer classes and conferences to equip private individuals about starting businesses and supply chain companies with the ability to register their companies, and also offer legal services as an additional service (Stats SA, 2016).

2.5.1.4.8. Internal market openness

In terms of internal market openness “there are two sub-divisions - market dynamics, [these are] the extent to which markets change dramatically from year to year; and market openness, [this is] the extent to which new firms are free to enter existing markets” (Herrington et al., 2015). The more markets change and the more volatile market dynamics are, the better it is for entrepreneurship in the country, as they stimulate and create opportunities for disequilibrium that entrepreneurs can exploit. Volatility speaks to the dramatic changes in demand and supply in a country from year to year; the more dramatic that demand is, the more needs the market produces and the more the environment seeks entrepreneurs who can supply that need (Xavier et al., 2012). These market and industry structures have been widely studied in entrepreneurship literature (Gregoski, 1995; 1989; Klepper, 1996; 2002; Klepper & Sleeper, 2005); scholars have theorised on both the market and technology life cycle effects, by predicting the higher rates of new firm entry in the beginning of a market’s life cycle as demand and supply rapidly increases, possibly due to high levels of innovative spin-offs.

In the early stages, new firm entry provides an important driving force of market dynamism, as they provide new products and services that bring innovation and competitiveness that can redirect the market in terms of supply and demand. Market dynamism in itself also introduces opportunities for new entries and new forms of opportunity exploitation by entrepreneurial ventures, which can create different streams to fulfil the needs of the market, thus driving opportunities in many ways (Levie & Autio, 2008).

According to Levie and Autio (2008), the exogenous factor of market structure is included in the GEM model as internal market openness, which contains two parts - market dynamics that focus on rapid market change, and internal market openness which deals with ease of entry. In a country where the economic history of the nation was and still is ruled by the White minority, yet the the Black majority rule politically, the access to markets seems to be a entrepreneurial framework condition that can pose a challenge to Black entrpreneurs (Banerjee, Galianit, Levinsohn, Mclaren, & Woolards, 2008; Pogrund, 2008; Hamilton, 2011). Those who have political power have been known to use it as bait for those who have economic power to gain access to markets and opportunities, while the masses struggle to gain access as the country's markets are not dynamic enough to create sufficient opportunities spontaneously (Hamilton, 2011; Xavier et al., 2012). Market dynamics constraints, as identified by the GEM experts, are that "the market is highly concentrated so entry by new firms is difficult and costs are high, the markets for consumers and business to business goods and services do not change dramatically from year to year, (and) there is poor access to markets for many South Africans" (Herrington et al., 2012; 2015).

Internal market openness refers to the extent to which new firms are free to both enter and compete in existing markets (Herrington et al., 2015). An open economy is seen as a key driver of economic growth, as there is increased competition which in turn increases the quality and quantity of innovation and efficiency (Xavier et al., 2012). Twenty–nine percent of the GEM experts cited lack of market openness as one of the most critical constraints to entrepreneurship, as "a business that is prevented from finding acccess into its own customer is no business at all". The government policy on BBBEE, although not as equitable as required, is a positive step towards enforcing market openness for the disadvantaged Black business owners who may be hindered by large White firms.

Constraints mentioned by the experts regarding internal market openness included: "anti-competitive behaviour by large business, established large business makes it hard for new businesses to enter the market, economy dominated by monopolies and cartels, (and) economic structure favours large firms to disadvantaged smaller firms" (Herrington et al., 2012; 2015). The issue of race and gender is not reflected by this EFC, which given the patriarchal and White-dominated economic history of the country, should have a place. Traditionally White-owned firms are the most established and largest in the economy, whereas the new firms are mostly smaller Black-owned companies that have only been encouraged into the economy since 1994, as reflected by the high TEA rate amongst Black Africans (Stats SA, 2014; Davies 2012; Xavier et al, 2012).

2.5.1.4.9. Physical and services infrastructure

Physical infrastructure encompasses the extent to which one is able gain access to available resources easily, "at a price that does not discriminate against new, small or growing firms" (Herrington et al., 2015,p. 17) these resources include communication, utilities, transportation, land or space (Xavier et al., 2012; Herrington et al., 2015,p. 17). To set up a new business, entrepreneurs usually need access to physical infrastructure such as offices/operating space, equipment and basic utilities. The ease and availability of such infrastructure encourages entrepreneurship in a country (Levie & Autio, 2008). Access to physical infrastructure is viewed as one of the inputs the Leibensteinian entrepreneurs must pull together in their role as economic "gap-fillers" and an "input completers" (Levie & Autio, 2008). This factor may vary in terms of importance, depending on the type of entrepreneurial venture undertaken or the country in which it is experienced, for example lifestyle entrepreneurs who work from home may not really be affected by the need for office space, while high growth entrepreneurs may view office space (warehousing) as critical to their business. In another context, people in high income countries may take access to physical infrastructure for granted, whereas low income countries may find it absolutely essential to their business environment (Levie & Autio, 2008).

According to Flak and Potelwa (2013), the government announced a $450 billion infrastructure development plan over the next 15 years in order to invest in ports, railways and roads. This is due to the National Development Commision identifying that the economy has been constrained by the inadequate investment in the energy and transport sectors. The project provides opportunities for entepreneurs to bid for the construction projects as well as supply of any other required services that emanate from the project. The challenge is that the roll out of this investment by the government has been slow due to few companies participating in the tender process. The second challenge is that government itself is not an expert on how to facilitate the growth of new entrepreneurs; rather, the government's role is to create and cultivate an economic environment where entrepreneurs can thrive through policy formulation and execution.

Government agencies that have been tasked with the incubation of small businessess to encourage entrepreneurship include the Small Enterprise Development Agency (SEDA), the National Youth Development Agency, the Department of Trade and Industry (DTI), and the National Empowerment Fund (NEF), yet they have largely been accused of being fragmented, bureacratic, uncoordinated and yet to produce tangible results (Sanches, 2016). "Unfortunately, most entrepreneurs are not aware of these government programmes specifically designed to help them, and there is little information on the types of financial products available to entrepreneurs as well as the procedure to apply for these products" (Fatoki, 2011, p.90). According to Fatoki (2011), there is a widespread belief that there are no government institutions to help entrepreneurs, as the entrepreneurs themselves are not aware of them and very few have utilised their offerings.

Entrepreneurs have also cited corruption, bureaucracy, poorly skilled government officials and poor communication as reasons for not using these organisations (Xavier et al., 2012). The challenge with the slow roll out of much needed governmental infrastructure is that it increases the cost of doing business in South Africa, thus hindering the potential of new foreign direct investment as other countries are seen to be more competitive. The ongoing energy challenges have also limited investment in South Africa; according to the *Doing Business Report* of 2012, South Africa ranked 150 out of 185 in terms of reliable electricity supply.

Communication is also one of the most important organs for stimulating future business growth in South Africa. According to Xavier et al. (2012), the ownership of mobile phones in South Africa increased from 17% of the adult population to over 76% in the ten years prior to the survey. This has led to more people in the country gaining access to the internet, creating an environment with a free flow of information which can push South Africa into an innovative economy. The cost of communication services, however, are still amongst the highest on the continent, with 30 countries having cheaper communications services in Africa than South Africa. Access to these services is also still not prevalent amongst the Black population, a large majority of whom still living in the rural areas below the poverty line (Aliber, 2003; Banerjee, Galianit, Levinsohn, Mclaren, & Woolards, 2008). The rural areas present a challenge in terms of connectivity as well as internet usage, while Black Africans in the urban areas may not be able to afford the cost of communication (Xavier et al., 2012). This can cause a challenge with the proliferation of information, limiting the stimulation of businesses to urban areas only, whereas they are more needed in the rural areas for the development of the rural economy (Vilakazi, 2011).

2.5.1.4.10. Social, cultural and political norms

According to the GEM report, social and cultural norms are defined as “the extent to which social and cultural norms encourage, or do not discourage, individual action 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” (Xavier, Kelley, Herrington, & Vorderwulbecke, 2012). A number of researchers have reported empirical associations between culture and entrepreneurial activity (Uhlaner & Thurik, 2007), however the measurement of effects of national culture on entrepreneurship activity using standardised national culture measures and appropriate controls have produced mixed results (Spencer & Gomez, 2004). According to Levie & Autio (2008), shared beliefs in given societies may mediate between the cultural values and enactment of specific behaviours. Xavier et al. (2012) argued that national culture, entrepreneurial culture and social norms are two different things, i.e. national culture refers to the cultural context of the country as a whole, while entrepreneurial culture and social norms cover the context-specific beliefs about the society's (including potential entrepreneurs) attitude towards entrepreneurship; these are treated as EFCs. The individual level of culture must also be recognised as the social desirability of entrepreneurship at an individual level, which influences entrepreneurial intent. A positive cultural disposition towards entrepreneurship, which is often associated with the Indian/Asian and Jewish cultures in South Africa, is most likely to create a positive or desirable allocation of effort towards entrepreneurship (Levie & Autio, 2008; Xavier et al., 2012). The opposite is also true, where a negative attitude towards entrepreneurship, which is often seen in more conservative cultures such as the African and Coloured communities, results in a lack of effort towards entrepreneurship as a career.

It is estimated that 87% of the business people in South Africa would prefer to run their own business instead of being employed by others, which means that they have a positive cultural disposition towards entrepreneurship, however the GEM experts argued that the cultural and social norms in South Africa are one of the most constraining EFCs, rating it 2.57 (Xavier et al., 2012). Some of the constraints identified by the GEM as being most problematic are: South African society not inculcating a desire in individuals to become entrepreneurs which results in a culturally embedded preference for a "job" rather than starting a business, entrepreneurs being scared to ask for help even when failure is not an option for them, an attitude existing that government should provide, (and) social welfare is creating dependency (Herrington et al., 2008; Herrington et al., 2012; Herrington et al., 2015; Herrington et al., 2016/17).

2.5.2. Linking the GEM Model to the theories of entrepreneurship

The GEM model is based on some modern day economic theorists such as Leibenstein (1968), Schumpeter (1974) and Kirzner (1997), with more recent collaborative work being done by Baumol (2002) and Acs, et al., (2004). The model focuses on understanding the drivers of business that are associated with economic growth (Autio, 2007). In Reynolds' personal communication (2008) he expressed the desire to create an alternative way of thinking to the idea that only large established firms are important (Levie & Autio, 2008). The GEM described two distinct business processes, which it argues, are associated with economic growth. The first process relates to "existing or routine business activity and its antecedents". The second, process is one "in which individuals perceive opportunities and are thereby prompted to create new business activity, which in turn is proposed to impact economic growth", this is termed *Entrepreneurial Framework Conditions* (EFCs), (Lopez-Claros et al., 2006).

2.5.2.1. Leibenstein's theory of the economy and entrepreneurship

Leibenstein (1968) developed a theory of the economy and entrepreneurship, which can be linked to the GEM model's separation of entrepreneurial activity, as it proposes that entrepreneurship occupies a significant role in the economic growth process (Levie & Autio, 2007). The theory makes a distinction between two broad types of businesses, both of which contribute towards economic growth (Leibenstein, 1968). The first type of entrepreneurial activity is more like business management instead of entrepreneurship; it is known as an established or routine business activity. It is mainly focused on coordinating and carrying out activities in well-established markets, maintaining the going concern of the organisation in which the business operates in clearly defined markets with parts of its production functions in use. It is not concerned with finding new markets but is rather more concerned about maintaining the markets that exist; it is regular, static and lacks dynamism (Leibenstein, 1968; Autio, 2005; 2007; Levie & Autio, 2007; 2008; Xavier et al., 2012). A suggestion is further made by Leibenstein (1968) that there is "routine entrepreneurship", where established businesses continue to be managed and run on a daily basis. Furthermore, Lopez-Claros et al (2006) argued that there are certain factors that are associated with this level of general business activity, termed the General National Framework Conditions (GNFC), which were created by the World Economic Forum (WEF).

The factors that are the subject of this research, i.e. the EFCs, have an association with new business activity. EFCs are linked to the second type of entrepreneurship, where new entrepreneurial firms are embarking on new activities within unclearly established business markets. The second type of entrepreneurship requires activities that are necessary to create and carry a business in unclearly defined markets, where relevant parts of the production function are unknown (Leibenstein, 1968; Autio, 2005; 2007; Levie & Autio 2007; 2008; Xavier et al., 2012). This process suggests that entrepreneurs first perceive new opportunities in the market and are then challenged to create new business activities that fulfil those opportunities or close those gaps with new entrepreneurial activities. This model resembles the theories of Schumpeter (1974) and Kirzner (1997).

Leibenstein (1934) established a strong commonality of purposive economic growth between the proposed types of entrepreneurship that he proposed, which is central to the link made to the GEM to their model in which both established and new firms, although embarking on different types of entrepreneurships, produce economic growth (Xavier et al., 2012). The subject of this research is focused on the 'Schumpeterian' type of entrepreneurship, which creative destruction through innovation. This type of entrepreneurial activity links very well with the EFCs, which support the creation of new business (Reynolds et al., 2005).

The GEM model also encompasses the social, cultural and political context as influential to entrepreneurial processes, while in the Leibenstein paper they are termed socio-cultural and political constraints (Leibenstein, 1968, p.78; Levie & Autio, 2008). These constraints are the underlying factors that can influence the construction of EFCs and the GNFCs in a country. These factors play a major role in how a country views its conditions from a social, cultural or political perspective, and can alter based on the changes that occur in the national culture or universal values of the country (Xavier et al., 2012). Examples of these factors include relative wealth in-country, the economic systems or organisation of the country, the political system, and the demographics or population growth dynamics. Academics have argued that any of these factors can influence the business activity in the national context positively or negatively, depending on their composition and relative strength in the context (Levie & Hunt 2005, Acs & Amorós, 2008).

2.5.2.2. Links to Schumpeter's theory of entrepreneurship

Schumpeter (1974) is one of the most renowned theorists of this economic era, and is arguably one of the very first economic theorists to put the entrepreneur at a central place in economic development (Levie & Autio, 2008). According to Schumpeter (1934), economies are self-transforming systems and entrepreneurs are the agents of change that initiate and drive change through technological innovation. Schumpeter's version of enterpreneuship rested on being destructive to the status quo, where entrepreneurs create entrepreneurial destruction with new innovation technologies that create profit making and monopolise through creative destruction (Levie & Autio, 2008). According to Schumpeter (1942, p.81), "the process of creative destruction creates productivity and greater economic growth". Liebenstein (1968) and Baumol (2002) added to the work of Schumpeter in their posits that that Schumpeterian entrepreneurs are the "converters of knowledge into economic knowledge" and are thereby contributors to economic growth (Levie & Autio, 2008, p.239).

Schumpeterian entrepreneurs disturb the economic equilibrium through the act of innovation. This type of Schumpeterian agency is associated with individuals who follow a process of perceiving opportunities in new business formation, and thus the EFCs associated with this thinking as they are the factors that affect the level of new business activity as opposed to general business opportunities that exist in equilibrium. The EFCs affect the level of new business formation and the level at which entrepreneurs are able to pecieve and exploit new business opportunities.

2.5.2.3. Links to Kirzner's theory of entrepreneurship

Other authors have provided slightly different suggestions (Von Mises, 1949; Hayek, 1945; Kirzner, 1997b), for example Kirzner's (1997b) theory is based on the creation of equilibrium in a place where disequilibrium presides. Kirznerian entrepreneurs emphasise the role of discovering abitrage opportunities in the market; when they find opportunities of disequilibrium in the market they buy from one area and sell in another, thus equalising the lack of knowledge in one area (Levie & Autio, 2008; Autio, 2007). The exploitation of such opportunities gives rise to economic growth, thus, unlike Schumpeter, instead of moving away from equilibrium through innovation, this theorist moved towards creating equilibrium through equalising the existing products in the market (Xavier, et al., 2012). The link between Kirzner's theory and the GEM model is made in a similar way as it is in the Schumpentarian theory, with the exception that entrepreneurs in the Kirznerian view seek new business opportunities to move the market to equilibrium, while Schumpeterians create disequilibrium. The GEM model accomodates both schools of thought, although more so the Kirznerian as it is naturally easier to locate Kirznerian entrerpreneurs in society (Levie & Autio, 2008). The GEM model contains EFCs, which are conditions that regulate the perception of opportunity and the availability of entrepreneurial skills in the population.

Leibenstein wrote extensively on the topic (1966; 1978; 1987; 1995), and, like Schumpeter, recognised the two broad types of business activity as contributing to economic growth through routine entrepreneurship/business management and N-entrepreneurship. N-entrepreneurship represents innovative businesses that give rise to enterprises in unestablished markets where many businesses would refuse to go. This distinction is also made by the GEM model, with the established or large firms being represented by the micro, small and medium firms in the top half of the model. The General National Framework Conditions (GNFC) are also generally considered necessary for economic growth yet not for new business development; these are business framework conditions that most predominantly affect established businesses that are generally not as innovative as Kirznerian and Schumpeterian businesses. EFCs, meanwhile, are typically more relevant for innovative businesses that bring about growth through innovation.

According to Leibenstein (1968) and Levie and Autio (2008), the link of EFCs to economic growth depends on the level of routine entrepreneurship, the degree to which gaps and impediments exist in the market, as well as the quality, motivations, opportunity costs and availability of potential gap fillers and input completers. According to Levie and Autio (2008) and Xavier et al. (2012), this description is reflective of the GEM model's variables of entrepreneurial opportunity, which Liebenstein (1968) viewed as "gaps and impediments in the market", and Kirzner(1997) referred to as opportunities of disequilibrium on the demand side of the new firm creation; and on the supply side referrred to as entrepreneurial capacity or "capacity to assess such opportunities" (Levie & Autio, 2008). There is also a distinction between the set of maximum productive possibilities and the set of smaller "subjective" opportunities that entepreneurs perceive exist (Leibenstein, 1968).

The GEM model is an integrated conceptual model with both the general economic framework and the economic framework conditions having links to both established and new firms. This model suggests basic requirements for entrepreneurship to take place in a well-functioning business environment, namely institutions, infrastructure, microeconomic stability and health and primary education. These are identified as critical requirements of factor driven economies (Xavier et al., 2012). Similarly, there are efficiency enhancers in efficiency driven economies such as higher education and training, labour market efficiency and market size. These were all identified as general framework conditions in the original conceptual model, while all nine EFCs are outlined as innovation and entrepreneurship enhancers in innovation driven economies.

2.5.2.4. The operationalisation of GEM theory in this study

This research looks into, amongst other issues, the EFCs that are prevalent among Black African entrepreneurs in Johannesburg. Established entrepreneurs were selected as it was assumed that they would potentially have experienced more framework conditions and would therefore be in a better position to provide rich data than new or potential entrepreneurs.

The theoretical grounding of these conditions is taken from the work of Levie and Autio (2007; 2008), Autio (2005; 2007) and Valliere (2010), who presented a close link between the GEM conceptual model and the theories of entrepreneurship and economic development pioneered by Schumpeter (1934) and Kirzner (1997). Literature on the association between the EFCs and entrepreneurial activity has shown mainly negative bivariate correlations with early stage entrepreneurship (TEA) at a national level, whereas they have shown a better neutral to positive bivariate association with measures of relative High Growth Enterpreneurship (HEA) (Autio, 2005; 2007). This is in light of the fact that the cross-sectional data and bivariate correlation has not yet been rigorously tested for associations between EFC and entrepreneuship activity. This creates room for EFCs that are relevant to the South African context, taking into account the specific conditions that may exist in this part of the world. Blanket EFCs that are relevant in high income innovation economies, as characterised by many European economies, may not be suitable to the South African context. Testing the relevance of locally crafted EFCs that take into account all social, cultural, political and economic factors thus seems to be a logical process to follow.

The current knowledge-base on EFCs does not take into account specific differences that may be associated with Black-owned enterprises due to their historical background, but rather generalises all EFCs to all kinds of businesses in South Africa (Xavier et al., 2012). The research thus cannot prove conclusively for or against the associations discovered. Although the entrepreneurial conditions identified by the GEM assist in providing some explanation to the entrepreneurship profile of the country, it may be argued that they are open to hegemonic Eurocentric bias as they were initially founded to test the level of entrepreneurship within and amongst Western countries and adapted to the rest of the world. As a result, the framework that is created by the GEM lacks a vital element that is relevant to the South African context, in that it does not take into account the role of race as a key inhibitor to entrepreneurial success. It also did not take into account the views of the majority population group when constructing the EFCs (Zahra, Wright, & Abdegawad, 2014), which neglects the environmental dynamics of the context. As per Levie and Autio (2007; 2008), Autio (2007; 2005) and Xavier et al. (2012), the socio-cultural and political aspects of the GEM model influence the construction of EFCs in a given country or region.

Race is not explicitly noted here as one of the factors in the GEM model, yet it can be argued that it has been pivotal in determining socio-economic and life outcomes in South Africa. The EFCs are terms of gender, geographical distribution, level of experience and involvement in the public or private sector (Herrington et al., 2015) but omit race as descriptive criteria. This is a critical component of the South African context, as race is deeply rooted into the structure of the economy and all the other criteria stipulated. The structural inequalities are such that most recognised entrepreneurs are White, yet the vast majority (80%) of the population are Black Africans. The businesses of Black African entrepreneurs are largely informal and survivalist, thus the GEM experts may not identify with the EFCs associated with entrepreneurship amongst Black Africans. Since race is not a definitive criterion, it is quite possible that the experts identified largely had a northern or western view, thus creating a bias in the way the GEM views the current economic climate. Given the fact that this study was investigating the EFCs associated with entrepreneurship specifically amongst Black Africans, in the event that they existed, the study further aimed to determine whether they differ from those identified by the GEM.

2.5.3. Research Question 3

2.5.3.1. Research Question 3.1

What are the EFCs associated with entrepreneurial activity and sustainability amongst Black Africans in Johannesburg?

2.5.3.2. Research Question 3.2

Are there differences between the EFCs associated with established Black-owned enterprises and those identified by the GEM consortium?

2.6. Conclusion

Various explanations have been discussed in order to understand which factors have caused the lack of entrepreneurship amongst Black people in South Africa. These included a historical Apartheid explanation, a financial resources explanation, a human capital explanation, a personality traits explanation and a social capital and network explanation. While Apartheid is widely recognised as having been a significant factor in the economic history of South Africa, and its effect on Black South Africans acknowledged, its direct impact is not easily quantifiable. For this reason, the effect of the policies that the government has put in place to encourage the transformation of the country's economy, partly by encouraging entrepreneurship amongst Black Africans, has, according to the literature, been marginal. This observation or finding is further emphasised by findings of research done by private institutions, in the case of this study, the GEM on the EFCs that are associated with entrepreneurship in the country, that does not explicitly take into account the vital role that race plays in the economy.

It is against the background discussed above that the following research questions were formulated: What are the challenges that Black African entrepreneurs face when establishing their businesses? Does the policy framework implemented by the South African government encourage and sustain entrepreneurial activity amongst Black Africans?What are the EFCs associated with entrepreneurial activity and sustainability amongst Black Africans in Johannesburg? And, are there differences between the EFCs associated with established Black-owned enterprises and those identified by the GEM consortium?

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction

This study set out to investigate the EFCs that have contributed to the initiation of entrepreneurship and the subsequent success or lack thereof amongst Black Africans in Johannesburg, South Africa. An interpretivist, social constructivist stance was taken, where "ontologically no assumptions are made about what is and is not real" (Cope, 2005, p.167) - descriptions of phenomena begin with people's experiences of them, the purpose being to move away from confirming or disconfirming prior theories – "but to develop 'bottom-up' interpretive theories that are inextricably 'grounded' in the lived-world" (Cope, 2005, p.167). Secondly, it examined the GEM's EFCs in an attempt to validate them, as well as, where possible, to develop recommendations for new constructs from the South African perspective.

The GEM's EFCs were borne in mind throughout all stages of the study in order to compare and contrast them with those framework conditions that would emerge from the data gathered through this study, in an effort to determine whether there are similarities or lessens to be learnt. This was done while taking into account the fact that the value of interpretivist research is to present multiple versions of reality from the perspectives of the participants.

This section of the paper describes the manner in which the research was undertaken. The research approach/paradigm, research design, population and sample, research instrument, procedure for data collection, data analysis and interpretation, quality issues in the study and ethical considerations are discussed.

3.2.Paradigm

The interpretivist research paradigm was utilised in this study, which involved interpreting phenomena in terms of the meanings that people bring to them (Denzin & Lincoln, 2003). The argument of this paper is that, when the subject matter is complex, there are multiple realities to which meaning can only be brought by members of that sub-population – in this case, Black African business owners in Johannesburg, South Africa. The interpretive paradigm questions any theory that speaks of one single truth, technique or path to knowledge acquisition; it challenges the notion that there are correct or incorrect theories or ways of understanding social phenomena (Willis, 1995; Walsham, 1993).

In the social constructivist perspective, which is often used in combination with interpretivism (Mertens, 1998), knowledge is claimed through an “alternative process and set of assumptions that are related to subjects seeking understanding of the world in which they live and work” (Creswell, 2003, p.8). The multiple meanings of individual experiences are socially and historically constructed, with the intention of developing a theory or pattern (p.18). Importantly, “the influences of the local context are not stripped away, but are taken into account. The possibility for understanding latent, underlying, or nonobvious issues is strong” (Miles & Huberman, 1994, p.10). Social constructivism is thus concerned with understanding the world as it is from the subjective experiences of individuals. The researcher believed that Black African business owners in Johannesburg would be best suited to explaining the challenges as well as the catalysts to achieving success.

3.3.Research design

Qualitative research methods were used as they are especially effective in obtaining culturally specific information about the values, opinions, behaviours, and social contexts of particular populations (Denzin & Lincoln, 2003; Thomas, 2010).

Phenomenology was used as a method of enquiry as there was an attempt to make meaning out of the events that the Black African entrepreneurs experienced, as “reality consists of objects and events (“phenomena”) as they are perceived or understood in the human consciousness” (Mastin, 2008, p.1); (in this instance, the business owner’s consciousness) and not of anything independent of human consciousness. The study is descriptive, using the first person point of view to show the Black business owner’s experiences and how they experienced them (Mastin, 2008).

3.4.Population and Sample

The subjects or population under observation in this research were Black African people living in the Johannesburg area. As it was not possible to study every established business owner in the entire country, it was necessary to draw a sample from which meaningful conclusions could be drawn. Moreover, as this is a qualitative study only a few participants were needed in order to study the topic effectively, thus purposeful sampling was used to enlist participants from established Black business owners in Johannesburg.

3.4.1. Sample and sampling method

Entrepreneurship amongst Black Africans is a relatively rare phenomenon, and to complicate matters further, it was challenging to find credible respondents without enlisting the help of those who were already in the field. For this reason, the snowball or chain referral sampling method (Biernacki & Waldorf, 1981) was utilised to acquire respondents for this study. This sampling method "yields a study sample through referrals among people who share or know of others who possess some characteristics that are of research interest" (Miles & Huberman, 1994, p.28). A further advantage of this sampling method is that "it identifies cases of interest from people who know people who know which cases are information-rich" (ibid). Amongst those who were referred to the researcher, a decision was made to do a preliminary check of their characteristics in order to determine how similar or dissimilar they were to the other respondents. Although this did not qualify as a large scale maximum variation sampling method, it assisted in identifying respondents who could provide meaningful contributions to the study. The study focused on ten Black African established business owners. The criterion used to reach this number was "saturation", which essentially implies that no additional information was being gathered that could assist in the study (Saunders, Sim, Kingstone, Baker, Waterfield and Bartlam, 2017). It was evident in the responses that were given that information was becoming repetitive and redundant and therefore, the choice was made to focus on the ten respondents as their responses were sufficient for this study. In the context of this study they were people who had been in business for at least five years (Xavier et al., 2012), had a majority shareholding of over 51% Black ownership in the business (Stats SA, 2014), and had a minimum turnover of R400,000 per annum.

3.5.The research instrument

The main data collection instruments used in this research study were the literature review and the in-depth interviews, which necessitated the use of an interview guide/schedule. It is important to clarify that while in-depth interviews were utilised in this study, the researcher took a more semi-structured approach by using both closed and open questions, allowing the respondents to elaborate on their experiences in order to gain insight about Black South African business people's perspectives of the challenges related to conducting business in the country. Table 2 below presents the research questions addressed in this study and the associated questions contained in the interview guide (presented in detail in Appendix A).

RESEARCH QUESTION	QUESTION IN GUIDELINE	PURPOSE
Research Question 1: What are the challenges that Black African entrepreneurs have faced in establishing their businesses?	Please take us through how your business was founded	Determines catalyst behind the pioneering of the business, was it necessity – based? Due to unemployment and lack of viable employment prospects? Or was it innovation based? Is it based on something the business owner studied? What were the challenges?
	How much growth has your business experienced ever since?	Growth points and the explanations of how they came about the critical incidents that led to them will help with preliminary formulation of EFCs from the perspective of Black African entrepreneurs in South Africa
Research Question 3.1: What are the EFCs associated with entrepreneurial activity and sustainability amongst Black Africans in Johannesburg? **Research Question 3.2:** Are there differences between the EFCs associated with established Black-owned enterprises and those identified by the GEM consortium?	In your journey in business so far, please indicate the Economic Framework Conditions you have experienced, if any?	The aim of this question is to unearth what the catalysts and challenges that the entrepreneur experienced when starting their business and in every subsequent step of the way. This is open ended and participants are allowed to express those conditions that were pertinent in their journey without being restricted in any way.
	How did these conditions affect your business, if they did?	Negatively or positively? Did they result in growth? Lessons learnt?
Research Question 2: Does the policy framework implemented by the South African government encourage and sustain entrepreneurial activity amongst Black Africans?	Are there Economic Framework Conditions you are aware of that are critical to Black entrepreneurs even if they are not relevant to your business?	This question aims to ultimately determine whether there are differences between the GEM EFC's and those experienced by Black Africans

Table 2: Research questions and the corresponding questions in the research instrument that address them

Cohen and Crabtree’s (2006) interview guideline was utilised so as to make the interviews as effective as possible and to ensure professionalism at all times. This included:

i. The researcher introduced himself to the respondents and thanked them for their time and energy: “*Good day, my name is Sakhile Mkwanazi, thank you for your willingness to participate in this research project on Black entrepreneurship in South Africa.”*
ii. He then proceeded to introduce the school, research topic and outline the interview direction in terms of time: *“I am currently studying towards my Masters in Entrepreneurship and New Venture Creation at the University of the Witwatersrand Business School.”*
iii. Permission was requested to begin recording the interview: *“in the interest of ensuring accuracy and for the purpose of transcribing the interview later on, may I have permission to record our conversation today?”*
iv. Thereafter the interviews were conducted, and upon their conclusion the respondents were thanked for their time: “*We have come to the end of our interview today, thank you for your time.”*

During the interviews, the participants were asked to recall specific events from their personal perspectives in their own words (Stauss & Weinlich, 1997), which gave them a “voice”. This permitted “self-defined criticality”, where the focus was on the participants’ “personal representation of salient moments” (Cope, 2005, p.436; Cope & Watts, 2000, p.112), thereby yielding an “understanding of the incident from the perspective of the individual, taking into account cognitive, affective and behavioural elements” (Chell, 1998, p.56).

The researcher had to find a comfortable and achievable balance between pre-understanding (structure) and unbiased openness toward the phenomenon under study (Leitch et al., 2010), however the use of CIT enabled the creation of detailed records of events and a rich set of data, which facilitated the development of depth and thoroughness in understanding. The course of the dialogue was largely set by the participants, therefore they defined what constituted an incident and the effectiveness and ineffectiveness of how they encountered various challenges in setting up and sustaining their businesses in the context of their own realities.

The interview schedule was divided into three sections. Section A contained two questions pertaining to demographic information about the respondent, i.e. their gender/sex and age, while Section B consisted of six closed-ended questions relating to the respondents' businesses. Together these two sections garnered mainly categorical and numeric data. Section C consisted of five questions that were open-ended, with probes for the researcher to guide the respondents where necessary. These questions related to the business owners' journeys and the key events that contributed to their success, as well as what they would consider to be the EFCs that have an effect on the growth of entrepreneurship amongst Black Africans. The interview schedule can be found in Appendix A.

3.6.Administration of the interviews

Meaning (versus measurement) oriented methodologies, such as interviewing or participant observation, are used as they are able to explore the deeper experiences or explanations for certain things or outcomes in a person's life (Thomas, 2010). The researcher interviewed participants in a discussion style format and the interviews were recorded and transcribed. In addition to the demographic questions, open-ended questions were used to give the business owners a chance to relate their stories in their own words. In cases where the responses needed elaboration or guidance, the researcher probed further to get clarification.

3.6.1. Procedure for data collection

The interpretivist theory was applied in this study to guide the design and collection of the data as an iterative process between data collection and analysis (Walsham, 1993). In order to understand the complex subject of EFCs amongst Black African entrepreneurs in South Africa, interpretivism was required to give "voice" (Leitch, et al., 2010) to their experiences as an often misunderstood group of entrepreneurs.

The Critical Incident Interview Technique (CIT) was utilised in this study. Originally developed within a qualitative, social constructionist or grounded theory framework (Chell et al., 1993; Curran et al., 1993; Leitch et al., 2010), "the critical incident technique is a qualitative interview procedure which facilitates the investigation of significant occurrences (events, incidents, processes, or issues) identified by the respondent, the way they are managed, and the outcomes in terms of perceived effects. The objective is to gain understanding of the incident from the perspective of the individual, taking into account cognitive, affective, and behavioural elements" (Chell, 1998, p.56). CIT is beneficial in that it allows researchers to get a true reflection of the challenges experienced by the participants of a study – in this case Black African entrepreneurs – while “allowing for reflexivity and self-critical reflection during engaging with the participants, and for the emergence of disconfirming cases” (Leitch et al., 2010).

The study used this technique to identify critical incidents that have affected the initiation and sustainability of businesses amongst Black African entrepreneurs. The outcome of these critical incidents was entrepreneurial activity and/or entrepreneurial success, measured by specific factors/ social constructs/entrepreneurial framework conditions and/or the sustainability of a business for at least five years. The inputs were actions that the entrepreneur did in relation to the incidents.

Some research questions (specified within the instrument) were: *Please take me through how your business was founded? Where there any challenges in the beginning? How much growth has your business experienced ever since? Please take us through the growth points? Please take us through the challenges if there were any in each phase?*

The respondents reflected on their entrepreneurial journey, triggering memories of major life hurdles and experiences, which the interviewer interrogated further through, follow up questions to enrich the data. This process highlighted EFCs that were identified by the entrepreneur, regarding which further clarity was sought. Typical questions are included in the appendices. To ensure accuracy and the recording of relevant information, special actions were taken to confirm the accuracy of the researcher’s notes with the respondents post the interviews. All interviews were recorded, professionally transcribed and checked for accuracy shortly after the interviews, by both the observer (research assistant) - who was present in the interview room to take notes - and the interviewer.

In-depth interviews were the preferred method of data collection, as the technique is known to be most effective when collecting data on “individuals’ personal histories, perspectives, and experiences, particularly when sensitive topics are being explored” (Ritchie & Lewis, 2003). Furthermore, the researcher is given a platform to investigate specific areas of interest that may garner detailed information and focussed and constructive suggestions. Moreover, only a few participants are needed to gather rich and useful data (Shneiderman & Plaisant, 2005).

In order to be consistent with all participants, the interviewer had a set of pre-planned core questions for guidance, such that the same areas were covered with each interviewee. As each interview progressed, the interviewees were given an opportunity to elaborate or provide more relevant information if they preferred to do so. The interviews were face-to-face, in-depth, semi-structured conversations that lasted approximately 30 minutes to 1 hour. The respondents were interviewed in their own homes or offices in order to ensure their comfort by virtue of being in a place familiar to them.

3.7.Data analysis and interpretation

3.7.1. Data preparation and analysis

All the interviews conducted with business owners were recorded and transcribed after each interview. This transcription process assisted the researcher to be immersed in the data and think about what the participants were saying and how they were saying it. Quality checks on each transcript were done by reading them several times while listening to the respective audios. A research assistant helped to ensure the accuracy of the transcripts and to enable the researcher to come to a better overall understanding of each participant's experience (Parsons, 1997).

Codes were attached to the field notes drawn from interviews, including reflections and other remarks on the settings, as well as the demeanours and words of the participants. The data were further sorted in order to identify similar phrases, words and relationships between the variables, patterns, themes and contradictions between subgroups and common sequences. "Isolating these patterns and processes, commonalities and differences, and taking them out to the field in the next wave of data collection" (Miles & Huberman, 1994, p.9) assisted the researcher to determine which ones were relevant and when the point of saturation was reached, to place less emphasis on them. Generalisations were elaborated on in terms of issues that consistently came up in the data, and ultimately, "a formalized body of knowledge in the form of constructs or theories" (ibid), primarily from the GEM (2014) and other relevant entrepreneurial theorists, were used to discuss these findings.

3.7.2. Interpretation of the data

The main reason behind interpreting the outcomes of the analysis was to create summary categories to capture the key themes in the raw data that were judged to be the most important in terms of answering the research questions (Thomas, 2010; Leitch, 2010). The aim of the process was to organise and structure the outcomes of the analysis according to the issues and topics identified by the research participants as being important in having a grounded understanding of Black African entrepreneurship, acquired from the concepts and categories which social actors use to interpret, understand and make meaning to their worlds (Jones, 1985, p.25; Shaw, 1999; Thomas, 2010).

3.8.Quality assurance

3.8.1. Pilot study

A pilot study was conducted prior to the full study in order to test the validity and reliability of the instrument and interview procedures, and to identify any issues that needed to be addressed prior to conducting the main study. Three face-to-face interviews were conducted with Black African businessmen in the Johannesburg area, which lasted 30 minutes to 1 hour each. The interviews took a semi-structured approach and more than one observer assisted in reviewing the quality elements of the interviews with trustworthiness and credibility.

3.8.2. Trustworthiness of the research

Trustworthiness is the term used in qualitative research to describe the measure of the quality of the research, i.e. it is the extent to which the data and data analysis are believable and trustworthy. Furthermore, “the trustworthiness of qualitative research can be established by using four strategies: credibility, transferability, dependability and confirmability. Each strategy in turn uses criteria like reflexivity and dense descriptions” (Thomas, 2010. p.319). The Researcher takes cognisance of this argument and prefers to use the term trustworthiness as it is used by several others to cover all these.

3.8.3. Credibility

Credibility is similar to internal validity, which simply describes how research findings match reality (Lincoln & Guba, 1985). The complexity of this, however, is that according to the philosophy underlying qualitative research, reality is relative to the meaning that people construct within social contexts (Creswell, 1998; Thomas, 2010). The aim of qualitative research is not necessarily to generalise findings to large numbers of people, but rather to capture the authentic views of the participants in their own words which are valid to the researcher and not necessarily to others due to the possibility of multiple realities. The reader is then tasked with judging the extent of the credibility of the study based on their own understanding of the study, making it subjective (Creswell, 1998; Thomas, 2010). Each individual constructs a personal reality (Smith & Ragan, 2005), therefore, "from an interpretive perspective, understanding is co-created and there is no objective truth or reality to which the results of a study can be compared" (Lincoln & Guba, 1985, p.314). Credibility was ensured by gaining feedback on the data, interpretations and conclusions from the research assistants who were initially recruited to transcribe the data. This was advantageous in that they had previously engaged with the data and were able to pick up inconsistencies.

3.8.4. Transferability

Transferability is the ability to generalise research findings into new contexts outside the study context. Transferability is equivalent to external validity, which is the ability to extend "the account of a particular situation or population to other persons, times or settings than those directly studied" (Maxwell, 2002). In qualitative research, transferability is difficult to do "due to the subjectivity from the researcher as the key instrument"; it is also "a threat to valid inferences in its traditional thinking about research data" (Thomas, 2010, p.320). Transferability was enhanced in this study by explaining the research methods, contexts and assumptions made.

3.8.5. Dependability

Traditionally, research should be able to consistently observe the same findings or replicate the findings if all circumstances are held constant. This concept is known as reliability, or dependability in the case of qualitative studies. Therefore, it is important that the researcher "describes and accounts for the changing context and circumstances that are fundamental to consistency of the research outcome" (Merriam, 1998; Thomas, 2010). Naturally, human behaviour changes depending on the context and circumstances, and, as per the research design, multiple interpretations of reality by the participants are an added complication. For this reason, although all other things may be held constant, a different study with other participants may have different results (Thomas, 2010). It has been suggested that dependability may be determined by whether the results are consistent with the data collected (Merriam, 1998). This can be achieved by:

1. **Explaining the assumptions and theory behind the study.** (See Chapter 1, Section 1.7.)

2. **Using multiple methods of data collection and analysis.** An interview guideline/schedule was used for the in-depth interviews (see Appendix A) and literature was reviewed in order to substantiate the findings.
3. **Explaining in detail how data were collected to allow for an audit trail if necessary.** This was included in the methods section of the paper and the transcripts are available to analyse.

3.8.6. Confirmability

Similar to objectivity, confirmability is the extent to which the research findings can be corroborated by others, accounting for individual subjectivity or bias (Thomas, 2010). Auditing can also be used to establish confirmability (Seale, 1999), which was done in this study by the research assistants. Moreover, data were archived and can easily be retrieved should further reviews be needed.

3.9. Ethical considerations

Ethical considerations were critical in undertaking this study, as it was recognised that the methodology of the research was invasive in a way, as the researcher was "entering (the) private spaces of their participants" (Silverman, 2000, p.201). This was done not only in the literal sense by interviewing them in places that they were most comfortable in (at home or the workplace), but also by entering into their personal histories through requiring them to narrate their journeys into entrepreneurship and express the issues that were most challenging to them. The researcher was obliged to respect the rights, needs, values and desires of the entrepreneurs interviewed in the study (Creswell, 2003), therefore it was critical that ethical issues were addressed throughout all the phases of the study.

3.9.1. Design phase

The study was designed in such a way that it acquired the subjective views of the business owners through semi-structured, in-depth interviews.

3.9.2. Data collection phase

Informed consent **-** The researcher informed the business owners of the purpose, nature, data collection methods, and extent of the research before the interviews began. Explaining to each participant their role in the study was critical, as it allowed them to be prepared and know what information was needed from them (Thomas, 2010). In line with this, the researcher obtained their informed consent in writing (see Appendix H). Furthermore, they were informed and assured that their participation in the study was purely voluntary and that the research was for academic purposes, therefore they were not forced to participate and were allowed the option of withdrawing from the study at any stage. Additionally, the participants were guaranteed that they would not be put in a situation where their security was compromised, and there was no harm or risk linked to participating in the study, whether physical or psychological (Thomas, 2010).

A potential concern relating to ethical issues is cultural sensitivity (Thomas, 2010). Some authors argue that the relationship between the researcher and a respondent during data collection needs to be deliberated by the research team or the researcher and the supervisor regarding the values of the researcher and cultural aspects such as, for example the manner of approach when conducting interviews with subjects who have specific belief systems (Silverman, 2000; Maxwell, 2008; Thomas, 2010). Due to the fact that this study is on Black African business owners in South Africa and there are 11 official languages recognised in the country, the researcher undertook to respect the rights of the participants to speak in any language that they were comfortable in. English was the primary medium of communication across all the interviews, however there were instances when IsiZulu or Sesotho were used. An advantage of this was that the participants were able to express themselves well and be open with the researcher. Moreover, the researcher is of South African descent and was able to easily translate the audio into English during the transcriptions. The research assistants were also conversant with these languages, therefore the quality of the data was not compromised. In terms of privacy, confidentiality and anonymity**,** the researcher made it clear that the participants' names would not be used for any purpose, and information that may reveal their identities in any way would not be shared (Thomas, 2010).

3.9.3. Data analysis phase

In observing the harm, risk, privacy, confidentiality and anonymity elements, pseudonyms were used where necessary, appropriate and possible, in order to protect the participants' privacy and that of their families, employees and business associates. The pseudonyms were used in cases where the participants mentioned a name of an individual or their own establishments, as some of these are unique and easily identifiable. These pseudonyms are arbitrary, yet they are culturally sensitive in the sense that names of people have been changed by giving them a different name in the same language, and no offensive names or references have been given (Morgan, 2008). Large establishments have also not been named, so that no risk may come to the participants or their associates. The participants were assigned a number for the presentation of the results, which merely relate to the order in which the data are presented.

3.9.4. Report writing/Dissemination phase

Honesty and trust was ensured by adhering strictly to all the ethical guidelines that serve as standards about the honesty and trustworthiness of the data collected and the accompanying data analysis (Thomas, 2010). The information provided was used strictly for academic purposes. Furthermore, to ensure confidentiality, the data were stored electronically on a database on a secured server with restricted access (Thomas, 2010).

3.10. Conclusion

This chapter presented the research methods utilised in this study, covering all stages of the research process. This was necessary as the results, conclusions and recommendations made are heavily reliant on the methodology applied. The findings of the study are presented in the following chapter.

CHAPTER 4: PRESENTATION OF RESULTS

4.1. Introduction

In this chapter, the results of this study, starting with the demographic details of the respondents, their education and work experience, as well as information on their businesses, are presented. Results pertaining to the research questions are then shown. As expected, the volume of data gathered from each of the in-depth interviews was vast. Extensive data reading and sorting was conducted before and during analysis in order to identify themes that could shed light onto entrepreneurship amongst Black Africans in Johannesburg.

Interpretive codes were created using phrases and quotes that were used to support the illustrated arguments, including themes that recurred throughout the data. Views that differed or concurred amongst the respondents were discussed amongst the researcher and the participants, ensuring that the unadulterated views of the entrepreneurs were clearly captured; this study utilised an interpretive qualitative research design for that very reason – to discuss the experiences of the respondents from their perspective, in their own words. Various perspectives are highlighted in an attempt to effectively contribute to the existing knowledge base on entrepreneurship, including its catalysts and sustainers, move away from a dogmatic, top-down approach to the current status quo and challenges experienced, and elicit information directly from those who experience it.

Vertical and horizontal data processing and analysis was utilised in order to effectively engage with the data. Each interview transcript was read separately and then in relation to all the other transcripts in order to detect themes that were unique to each interview, as well as those that overlapped with responses given by other participants. The value of this procedure was that the data were evaluated and analysed robustly and in its entirety, exhausting all the possible findings. Findings from other academic literature, particularly the GEM and other relevant authors and authorities on entrepreneurship, were used to compare and contrast the findings of this study.

The findings that follow relate to the demographic profile of the business owners, their educational attainment and work experience, and the characteristics of the businesses that they own. Findings from the in-depth interviews that sought to answer the three research questions of this study are also presented here. These relate to the EFCs associated with entrepreneurial activity amongst Black Africans, the role of government policies in encouraging and sustaining entrepreneurial activity amongst Black Africans, and the comparison of EFCs associated with Black-owned enterprises and the GEM's EFCs.

4.2. Demographic profile of the business owners

The results below pertain to a total of ten in-depth, semi-structured interviews with established Black African business owners in Johannesburg, South Africa. Established business owners, in the context of this study, are those owners whose businesses had been in existence for at least five years with a turnover starting from R400,000 per annum.

4.2.1. Age of the business owners

The respondents' age groups reflect a typical age structure of a developing country, where the bulk of the population are in the younger age groups. Although South Africa has a young age structure there were no respondents below the age of 30, possibly because the selection criteria for the study stipulated that business owners should be established and have a turnover of R400,000 per annum and above. A third of the respondents in this study were in the 30-39 age group (30%), four (40%) fell within the 40-49 age group, two were in the 50-59 age group, and one (10%) was in the 60 years and above category (see Figure 2 below).

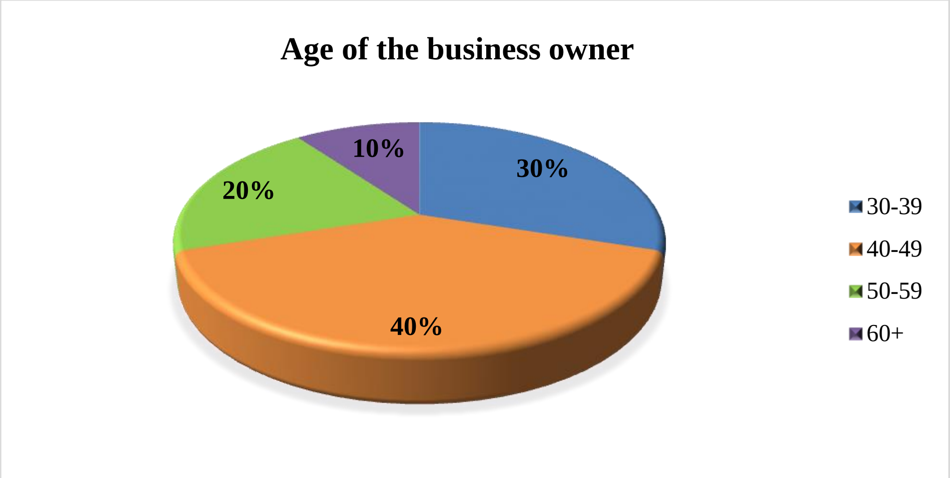

Figure 2: Age groups of the respondents in this study

4.2.2. Gender of the business owners

Although it was the intention of the researcher to get a sample that was representative of both sexes (male and female) as per the population dynamics of the country, this was unfortunately not possible. Various constraints contributed to this, including the snowball sampling design, where those interviewed recommended others to be interviewed, as well as the fact that while South Africa shows a relatively healthy level of gender parity in terms of entrepreneurial involvement, there have consistently been less female entrepreneurs in the country compared to male entrepreneurs over the years (Herrington et al., 2015; Herrington et al., 2016/17). In 2016, approximately "seven women were engaged in early-stage entrepreneurship for every ten male entrepreneurs" (Herrington et al., 2016/17, p.7). Moreover, there were time constraints in terms of completing the study, therefore the research reflects findings from the perspective of males only.

4.2.3. Educational attainment and work experience of the business owners

While there was no explicit question in this study asking respondents about their educational attainment or work experience, the semi-structured nature of the interviews allowed the respondents to speak about their experience in business. As a result, those whose entrepreneurial journeys were linked either to their education or their work experience, or both, inevitably mentioned them. This sub section presents findings from those entrepreneurs who mentioned their educational history and/or work experience in their interviews.

4.2.3.1. Relevant educational training

One of the respondents studied medicine and decided to open up a medical centre, while another was purposeful in his studying - he knew that he wanted to get into retail and he studied towards that, before working in various retailers, accumulating experience and capital before getting an opportunity to become a franchisee:

> "After I graduated…I then went and worked for a major supermarket, from the supermarket …to a Wholesaler then from the Wholesaler I then started running…a Movie Theatre...then I went into grocery retailer" (Participant no. 2).

4.2.3.2.Studying and working simultaneously

Some had initially worked and studied at the same time due to various circumstances that had resulted in their inability to acquire an education sooner. One business owner was fortunate to be recruited for an international company, even though he had dropped out of high school. He then began studying while working and moving up the ranks:

> "I started working for a Cosmetics company…while working there I decided to register and did my matric…I worked for the cosmetics for about three years and from then I was recruited by people who were starting lovely new hair care company…I

grew within the organisation I became a director and while I was working I was studying part time…Did my course and then did my MBA" (Participant no. 6).

Although one of the entrepreneurs did not initially explicitly state his educational attainment, the value of education within the business environment was recognised:

"You know as a business owner, the knowledge that I had, that's why I say whatever happens I have to study further because…Also I have learned a lot" (Participant no. 3).

4.2.3.3.Work experience and business ownership

Some started their businesses while they were working. One respondent stated the following:

"I was frustrated by education so I started my business while working" (Participant no. 8).

Most of the entrepreneurs had a number of years of experience in various sectors, and had been managers in various fields before starting a business. While this may have contributed to their later entrepreneurial success, there was a sense of frustration within their jobs, with a perception of not being adequately remunerated or rewarded for their efforts:

"I ran that thing you know for seven years, from 2004 up until late 2011 but then as management, much as it was a big cooperation you know, but money that was coming to me wasn't that much, you understand?" (Participant no. 4).

"I have been a manager for 15 years and I moved, I worked in 8 branches…it was as if I was a fire fighter, other guys would mess up branches and I would rescue. A soon as the branch is rescued I will be moved" (Participant no. 3).

Interestingly, some were working in completely different sectors to the ones that they started a business in; this was particularly expressed by two business owners who went into tourism and hospitality. While one had done odd jobs within the banking sector after matriculating, the other was initially in a high paying job in the Information Technology (IT) sector:

"…when I came up with this idea I was working**,** I had a job and I had just been recruited by a new company for a new IT firm because I was into IT so already then I was having a very big salary for my age and for that time and I had now a triple salary increase, good package" (Participant no. 5).

4.3. Characteristics of the businesses

A section on the characteristics of the business, consisting of closed-ended questions, was included in the questionnaire in order to check whether the participants met the selection criteria for the study, as well as to set the context for the next section, which went deeper into their entrepreneurial journeys using their own words.

Figure 3 below illustrates the various sectors in which the respondents of this study operate. The food retail and tourism hospitality sectors each had two respondents who participated in this study. The following sectors each contributed one respondent to the study: automobile, logistics, transport and construction, insurance, property and medical and building.

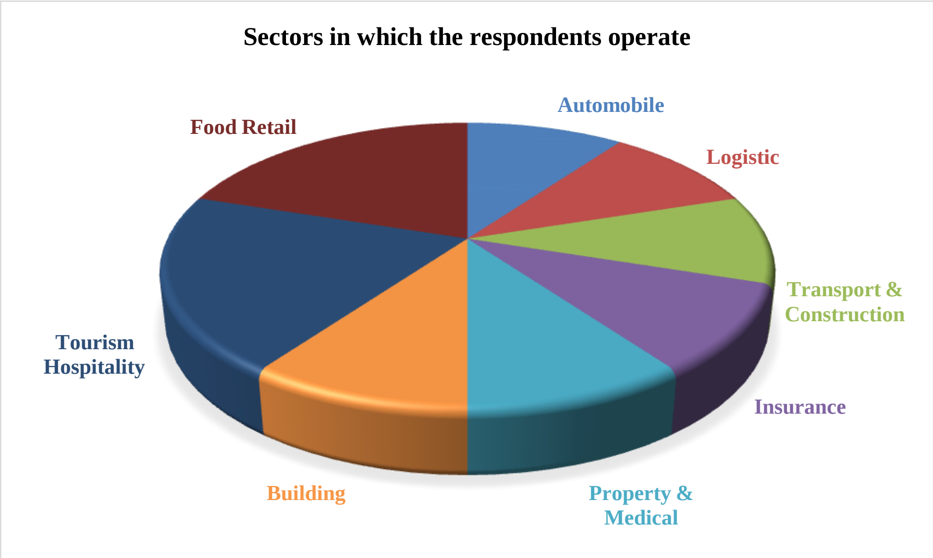

Figure 3: Sectors in which the respondents to the study operate

All ten of the entrepreneurs had been in business for more than five years (minimum 6 and maximum 25 years), with the lowest turnover being R400,000 and the most being R270,000,000 per annum. See Table 4.1 and Figure 4 below for further details.

Participant number	Sector	Business age	Black ownership (%)	Average turn-over	Number of employees
1	Building	25	100	R 2 000 000.00	25
2	Food Retail	6	100	R 270 000 000.00	450
3	Insurance Sector	16	100	R 400 000.00	3
4	Logistics Sector	18	100	R 600 000.00	4
5	Tourism Hospitality	15	100	R 7 000 000.00	20
6	Food Retail	6	100	R 164 000 000.00	200
7	Automobile	8	100	R 6 000 000.00	22
8	Transport & Construction	7	100	R 30 000 000.00	150
9	Property & Medical	20	100	R 4 000 000.00	10
10	Tourism Hospitality	14	100	R 12 000 000.00	50
Total		**135**	**100**	**R 496 000 000.00**	**934**

Table 3: Characteristics of the businesses

The number of employees was associated with turnover, i.e. the businesses with the highest turnovers also had the most employees. Food retail had the highest turnover and most employees, and the insurance sector had the least. The respondents had a total of 934 employees amongst them, the majority of whom were employed in the food and retail sector (69.6%), followed by transportation and construction (16.1%) and tourism hospitality (7.5%).

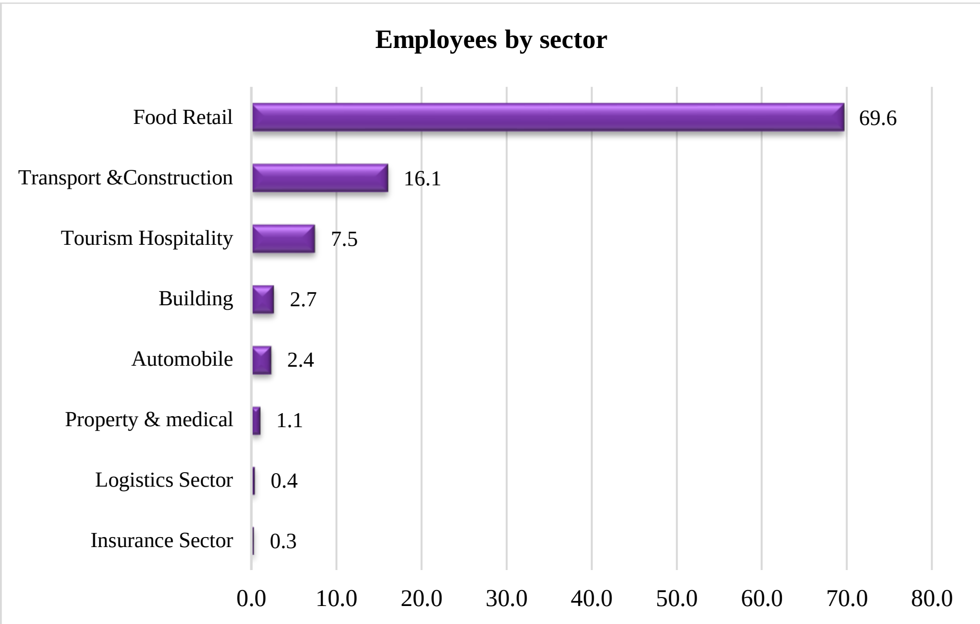

Figure 4: Employees by sector

The next section deals with themes derived from the data which attempt to answer the three research questions identified by this study.

4.4. EFCs associated with entrepreneurial activity amongst Black Africans

In an effort to answer Research Question 1: What are the challenges that Black African entrepreneurs have faced in establishing their businesses? and uncover the EFCs associated with Black African entrepreneurship, the respondents were asked to describe their journeys in business in their own words. The founding of the business, challenges experienced, perceptions or experiences of failure, major growth points, funding, and positive contributors to business are discussed as overall themes that assisted in uncovering the sub-themes.

4.4.1. Founding of the business

The entrepreneurs were asked to tell the researcher about their journey in entrepreneurship, how they founded their businesses, and who the key players were. This was in an attempt to unpack any critical incidents that were catalysts in their entrepreneurial activities, the reasoning behind the businesses, and the kind of entrepreneurship that they engaged in.

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
Founding of business	1	"I had 35 cents in my bank account, I had to come to the place where people are working and told them I could supply them with building materials"	Necessity/ Supply
	2	"I studied retail…So I wanted to get into retail, the only way I could really do it was to get a franchise"	Intentional/ Educational background/ Franchising
	3	"insurance was something that just happened; I'm not the brains behind it"	Opportunistic
	4	"So he recommended me to this lawyer …this is my brother matriculated in 1993 but we couldn't take him to school… he is passionate about business so can you try and give him finance"	Necessity
	5	"I never thought I'd open up a restaurant or anything like that…me and my friends enjoyed going out to Sandton, Rosebank …so that triggered the business idea, that no man, if there are so many Black people here coming from Soweto most of them I know, we can have the same thing in the township and I started off with a restaurant like that"…	Intentional/ Innovation
	6	"I left school in standard 7 [grade 8], It was during the riots…subsequent to that I had a child…I had pressure, you had just had a child, you are young, you had no income so I went there to see what I can start…I once went to get my hair textured and they burnt me and I decided you know maybe I need to start something in that environment…doing lady's hair"	Necessity / opportunistic/ service
	7	I had work experience in the industry, I sold my flat and looked for a partner with similar experience	Intentional/ Experience
	8	"I was fed up with the racism; I was frustrated by education so I started my business whilst working"	Intentional
	9	Studied medicine and had a vision to bring health services to the township	Intentional/ Education/vision
	10	"You don't just go into business, it starts with a passion for business"	Intentional/passion

Table 4: Thematic coding - Founding of business

The identified codes for the theme 'Founding of business' can be summarised as follows:

i. Necessity entrepreneurship (supply, service).
ii. Intentional entrepreneurship (educational background, franchising, experience in the field, innovation, vision, passion).
iii. Opportunistic entrepreneurship.

4.4.2. Challenges experienced in the business

The thematic table below expands on the challenges that they experienced and some preliminary codes are uncovered.

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
Challenges experienced	1	"I used a small car to deliver and they would ask me why…I would say the big truck is being repaired. I operated in Chiawelo in a small garage…I would hire trucks and deliver"…"Being a Black entrepreneur is a very big challenge…this Apartheid has not finished	Lack of tools of trade/ Infrastructure, Race issues
	2	"I would say compliance is the biggest challenge. Secondly, access to funding is a problem, I mean I have two stores but even going to a bank and trying to get money is not easy. Can imagine if a guy has got nothing…Banks don't fund start-ups…the third challenge is trying to get people to actually run the businesses"	Compliance/ regulation, Funding, Staff retention
	3	"…the biggest challenge is all these mountains a Black person has to climb, keep on climbing all the time. And you don't get any support, you have to survive on your own…Because when we came in the industry the InSETA but all those things were there to make things difficult for us to start doing the job"	Lack of support, race issues
	4	"So for me finance firstly was a challenge, because there was no person who would say 'here is the money', except for me to go look for a loan…I was a young boy then, you don't have collateral, you don't have assets…securing the first loan was a mission. Secondly the type of business that I was running, when you don't have transport, it's a problem, you have to rely on other people to go and get stock for you"	Youth entrepreneurship, Finance/ Collateral, Lack of tools of trade
	5	"Finance…it's not easy, Black, Soweto, it's all negatives against a person…the very same government…they are going to look for money from the IDC and whatever else it's just a talk show… if you really want the money, you won't get it. You have to come with a tender,	Funding, Race Issues, Business location, Tenders, corruption,

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
		then you will get that money…Black people who are successful are the ones that deal with tenders…and tenders go hand in hand with corruption	Structural adjustment
	6	"The first thing would be security. I've been robbed three times this year…[secondly] I employ people, very educated people, they come here as a stepping stone…staff retention is a problem…that's on an operational level...[thirdly] as Black people, funding is a challenge...if I'm unknown in the structures of government and I apply for a tender and win it, I have to give you a kickback, from my pocket and not only that when you move out of your position, the person who comes brings his own people"	Tendering, corruption, vicious cycle
	8	"The company gets project based jobs that last for three to four months at a time and we cannot guarantee long-term sustainability...the work that we got in the initial stages was from month-to-month"	Sustainability of the business
	7	"The industry creates an old boys' club in which they determine high standards of entry… The cost of rent and marketing are very high when starting a business… access to the markets, as a Black entrepreneur previously established relationships with suppliers by White races create barriers to the market …lack of support from Black Africans"	High standards to create barriers of entry, High overhead costs, Access to markets
	9	The lack of Black entrepreneurial partners who can have a long term view on business has been a challenge…the Black community struggles to create networks as the entrepreneurial culture is not as strong	Lack of Social Networks
	10	Starting a business with debt…No proper business background…daily family challenges, winning family over, it's not easy when you start, had to downgrade lifestyle and go to school for a year	Funding/ experience/ Personal life

Table 5: Thematic coding – Challenges

The theme for challenges that the business owners came across when starting out in their business were coded as follows:

i. Lack of tools of trade/infrastructure (transport)
ii. Race issues (lack of support within and between races)
iii. Bureaucracy (compliance, regulation)
iv. Funding (youth entrepreneurship, collateral)
v. Sustainability of the business
vi. Tender processes (corruption, vicious cycle)
vii. Security

viii. Human resource issues (staff retention)

4.4.3. Perception or experience of failure

Perception or experience of failure is a theme that emerged from the data, despite there being no specific question on it. Most of the entrepreneurs either mentioned points at which they failed in their journey or warned of issues that can cause failure. This is important in relation to the number of entrepreneurs who no longer operate a business.

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
Perception or experience of failure	1	"There's a lot of business people who went down because of that, they put in hard work and went down because of that [for example] I sell you material and you build the house and that house belongs to the bank, so anything goes wrong with the structure of the house the bank won't pay and who pays me? So in other words don't believe."	Corruption
	2	"I'll give you an example, actually a depressing conversation. We were running an incentive within the store they win R15 000 to share among 6 people provided they don't fail the audit, they failed the audit and they passed everything else."	Lack of ambition or motivation/ morale by staff
	3	"Things didn't go well cause I lost my car, my car was stolen and business obviously took a turn…I told a major Bank's management that they take my house it's not a problem, I will survive…I took a taxi to see a client of mine."	Loss of income
	4	"Distribution is very costly, very costly…I didn't charge people for delivering...yes I was making money, but money was going at the same rate the operation ate into the business…business declined…I didn't close shop but I had to cut my operation and go back to the drawing board."	Faulty business model
	5	"…so you know, you get stuck in, you reach the ceiling and after the ceiling it also affects your energy and your anxiety about your business, because I did reach a ceiling, I reached a ceiling where it couldn't grow more than that, and then I was quiet restless in a way, I started looking at doing something else which didn't work, and I came back here."	Loss of interest in business/ attempting other businesses (ceiling, barriers)
	6	"My only dilemma was management …one would make money, spend it and don't invest in the business…I was living from hand to mouth, I would work, buy stock do peoples hair and then pay suppliers pay everyone the rest was my money…so my businesses collapsed, they all	Bad Management (inexperience, lack of mentorship)

		failed."	
	7	"…most businesses fail simply because they didn't get enough time to turn around or that they didn't were not known. The high rental cost creates high overheads and drown a business before its known."	Funding (start-up costs such as rental and marketing)
	9	"Trial and error…too hungry to quit."	Perseverance
	10	"…failure to get assistance may be related to knocking on the wrong doors, although some government departments are incompetent and inefficient."	Lack of information (government programmes)

Table 6: Thematic coding - Failure in business

The codes derived from the theme 'Failure' were as follows:

i. Corruption.
ii. Lack of ambition or motivation/morale of staff.
iii. Loss of income.
iv. Faulty business model.
v. Loss of interest in business/attempting other businesses (ceiling, barriers).
vi. Bad management (inexperience, lack of mentorship).
vii. Perseverance.
viii. Funding (start-up costs such as rent and marketing).
ix. Lack of information (government programmes).

4.4.4. Major growth points

Assessing the entrepreneurs' perceptions of the major growth points that shaped their journeys was important, as it highlighted the good and the bad factors that served to grow their businesses, as well as the lessons learnt.

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
Major growth points	1	"The challenge that I'm facing at the moment is increased competition, which is good as it makes you think more and grow because if there is only one hardware you are going to sell at your own price and people are going to buy because they have no other choice. That's not good, people must choose to where to go."	Competition breeds Positive competitive behaviour
	2	"Growth is always incremental, we took over this business three and a half years ago [now] it has double the turnover."	Increased revenue
	3	"…we started Soweto Marathon…It was a lot of revolutionaries."	Pioneering

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
			marketing strategy
	4	"People then wouldn't place orders but I would go door to door to customers that I knew buy…ask them 'what will it be today?' That strategy worked…I remember when beverage company actually recognised that I exist, they gave me the type of contract that they gave me because I was a young, ambitious, hard worker, you understand?"	Major Contract/ Ambition/ Hard work
	5	"I knocked at this woman's house, Makhuzwayo, 'this is who I am, I run a restaurant, the space has become too small, I need your shop, if you can let me rent it or buy it'…she said 'no, no, no, I'm not selling but I can let you rent half my shop'. Then I opened up the first Mnandi restaurant, now formal, away from the containers…"	Enlarging the territory
	6	"I was at the right place at the right time just before sanctions were lifted so when sanctions were lifted they came to South Africa and I was happy and fortunate because I was in the right position…and the company got listed at the Johannesburg Stock Exchange so I grew within the organisation I became a director and while I was working I was studying part time…things were good and my portfolio was responsible for exports…I was in marketing…[later on] I started a business and within a month we grew to an average of about 13.5 million a month, average and then...here am I today."	Democracy, perfect timing for investment in South Africans
	7	"…purchasing spray booths that dramatically increased our competitiveness and product offering."	Acquiring tools of trade
	9	"I was denied funding by a bank that I done business with for a long time. The bank knew that I could afford the funding but denied me the funding due to the fact that I was going to build a business in the township and therefore a 'risky' investment. I threatened to expose them in the press and I was given the funding."	Landmark win- David and Goliath, banks versus Black entrepreneurs
	10	"SAB Kickstart assisted…DTI they were able to buy me software to run the business."	Acquiring tools of trade

Table 7: Thematic coding - Major growth points

The following codes emerged from the theme 'major growth points':

i. Competition breeds positive competitive behaviour.
ii. Increased revenue.
iii. Pioneering marketing strategy.

iv. Major contract brought about by ambition and hard work.
v. Enlarging the territory.
vi. Democracy, perfect timing for investment in South Africans.
vii. Acquiring tools of trade.
viii. Landmark win, David and Goliath, banks versus Black entrepreneurs.

4.4.5. The funding issue

Access to funding was a consistent theme that emerged from the data in different forms. As the entrepreneurs reported on it both positively and negatively, it was deemed prudent to look into it to examine what the key issues were. This was also a prevalent issue in the literature.

Theme	**Participant No.**	**Quotes and Key Points**	**Preliminary Codes**
The Funding Issue	1	"I had 35 cents and I told myself that having is a business, if you have money you won't have a business, why should you have a business if you have money, once you have a business it means you want money."	Entrepreneurship without start- up funding/business as a source of income
	2	"…all I can say is these institutions, if you are well prepared, you know your story they are very useful and they can help you…I have been funded before by the IDC [and] by the NEF, so those institutions are good… Government type of institutions are much better than banks."	Government institutions as viable funders/ Preparation
	3	"Collateral is a major issue for Black businesses in that they may need starter ship or growth funding but cannot raise it due to poor financial background. …the entrepreneur depends on the business as a source of income."	Entrepreneurship without start-up funding/lack of collateral
	4	"I started in 1996. Solely from a loan that I took out, there was this loan finance group from the U.K …I had [also] applied for money from a fund from the U.S…but again I used to bank with Major bank two. They really came to the party because of the overdraft that I had, it really helped, so my funders were three.	Private institutions as funders
	5	"…all what I have so far, it came from my pocket, you know so it's slow organic growth, sometimes it's not the right way to go because sometimes you just have to do it once and for all, kick start the business, make money, you see?"	Own financing
	6	"I had to use my provident fund…my deposit was R1.2 million, I had to withdraw money and cancel my provident fund so if I did not have that, I would not have been able to start a business so starting a	Own financing

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
		business for a Black man…tough."	
	7	"Insurance company enterprise development arm."	Private institutions as funders
	8	"We struggled to get credit with suppliers even when he could afford it…we had to pay suppliers 50% upfront fees in advance."	Race as a determinant of credit worthiness
	9	"Banks and other private sources of funding are still largely pro-White. They have closed the channel to Black business people but freely gave access to White start-ups."	Race as a determinant of credit worthiness
	10	"…funding, cultural and family backgrounds hinder success whilst their counterparts have the support of family and others."	Race as a determinant of credit worthiness

Table 8: Thematic coding - The funding issue

When discussing funding, the following codes were derived:

i. Entrepreneurship without start-up funding (lack of collateral, business as a source of income).
ii. Government institutions as viable funders (as long as the applicant is prepared).
iii. Private institutions as funders (bank loans, enterprise development grants).
iv. Own financing (savings, provident funds).
v. Race as a determinant of credit worthiness.

4.4.6. Positive contributors to business

This table highlights the positive contributors to business in an attempt to show which serve as support structures to entrepreneurship amongst Black Africans.

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
Positive contributors to business	1	"I started working in the construction industry and then the Lebanese and Jewish guys used to supply by buying for material for us, so when you buy they would buy on your behalf and sell to you [I would see where they were buying] 'I said that if they can do it why can't I?'	Existing successful business model
	2	"So we lucky because we got businesses…if a guy is starting a business and you've got nothing….because you are the owner and director of the business all these things no matter how simple they are, you are the only guy that can sign them…so it's easier when you've got brands like grocery retailer because there's some level of backing people from grocery retailer who are there to support."	Support gained from Franchisor

	3	"Apartheid legislation falling apart, opening door to brokering for Black people…15 years of experience."	Democracy
	4	"…when the business started deteriorating I obviously now was unable to service it this overdraft of about 25 grand and the bank recommended this accountant guy…we sat down and did number crunching, he made me realise that yes you have a good business model, but you are not running it correctly because of '1, 2, 3', I had been doing this for years. So I started this going back, like where I started and tried again…"	Technical assistance from the bank
	5	"…you know those two combinations, an opportunity and the skill back-up, technical, not me but my mom and my sister…the so-called high profile people, famous people , they used to come there and then the place became small it was the first restaurant this side of its kind."	Opportunity and skill back up, support from well-known people
	6	"So this [franchise] for me was the best stepping stone because you learn so many things you know… it's a formal business with all the necessary processes it's a big brand yet to make a success of it you need to."	Support gained from franchisor
	7	"We received a grant… which allowed us to purchase our spray booths."	Funding for tools of trade
	8	"Only positive framework that Black entrepreneurs have is the availability of government support."	Financial assistance from government
	9	"Upbringing exposed to Black business relationship."	Background
	10	"I went to the Gauteng Tourism Authority, and they were able to teach me about tourism, they call them GTA. I went to the Tourism Enterprise Program (TEP) they were able to teach me."	Technical assistance from government

Table 9: Thematic coding - Positive contributors to business

The following codes were derived from the theme 'Positive contributors to business':

i. Existing successful business models.
ii. Support gained from franchisor.
iii. Democracy.
iv. Technical assistance from the bank.
v. Opportunity and skill back-up, support from well-known people.
vi. Funding (tools of trade).
vii. Background.
viii. Financial assistance from government.

4.5. The role of government policies in encouraging and sustaining entrepreneurial activity amongst Black Africans

This section provides information on the entrepreneur's perceptions of the role of policies implemented by government, as the custodian of the economy, for empowering Black Entrepreneurs**,** in accordance with the enquiry made by Research Question 2: Does the policy framework implemented by the South African government encourage and sustain entrepreneurial activity amongst Black Africans?

Theme	**Participant No.**	**Quotes and Key Points**	**Preliminary Codes**
Policies for empowering Black entrepreneurs	1	"…if you look at government I have never had a tender that would say 'supply us with such and such', there has been projects built around me a school here and another there but I've never been given a tender to supply those projects so you can understand that I cannot claim that I've done well because the government helped me out in any way. Maybe it's because I don't know the language they use, the lack of language makes it difficult for me to get those tenders."	Lack of government support/ corruption
	2	"Government-type of institutions are much better than banks… I can recommend that people rather go there because there they've got a different spin on it. They worry about creating employment opportunities."	Government type of institutions are much better than banks for funding
	3	"You know the problem with Black people is that when Black people get in the industry, their rules change, that's the biggest problem. Because our government is turning a blind eye on them. Every situation when a Black person comes in, rules change."	Rules by race Lack of governmental regulation/ intervention
	4	"…the type of operation that I actually ended up running, if it wasn't for the Black government I don't think that even Beverage company would've even considered me to run the type of project that I ended up running because somehow they were forced by the government that yes we see that you give back."	Democracy Commitment by government to empower Black people
	5	"If I may be honest it's wrong government policies, they've never worked, twenty years has passed , those policies are not working for Black people but they are working very well for White people…We need policies that will make sure that a Black man with an idea has access to funding."	Misaligned government policies
	6	"I think there is a commitment by government to empower	Commitment by

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
		Black people, once you're in, if you strike it, you strike it good. But the hurdle to get in. Once you've started something it becomes easier because you have collateral once you don't have collateral it's a challenge."	government to empower Black people Barriers to entry
	7	"Suppliers of work such as insurance companies create exclusive accreditation for fixing their cars and won't allow other small Black-owned enterprises to get the same approvals"	Anti-competitive behaviour
	8	"…government support is available although access to it is difficult due to corruption."	Lack of government support
	9	"Public Investment Corporation (PIC) assisted."	Appropriate government institutions
	10	"The government is working. I'm a product of this government."	Positive personal experience with government

Table 10: Thematic coding - Policies for empowering Black entrepreneurs

The theme 'Policies for empowering Black entrepreneurs' garnered the following codes:

i. Lack of government support (corruption, access is difficult).
ii. Government type of institutions are much better than banks for funding (creating employment opportunities).
iii. Democracy (commitment by government to empower Black people).
iv. Misaligned government policies.
v. Barriers to entry (collateral).
vi. Anti-competitive behaviour.
vii. Appropriate government institutions.
viii. Positive personal experience with government.

4.6. Comparison of EFCs associated with Black-owned enterprises and the GEM's EFCs

As it was the aim of this study to determine whether race is a determinant of entrepreneurial activity and success, it was deemed important to examine the ways in which entrepreneurs view their race in relation to their vocation. This section thus presents the results that address Research Question 3: What are the EFCs associated with entrepreneurial activity and sustainability amongst Black South Africans, and are there differences between these and those identified by the GEM report?

4.6.1. Blackness

The table below shows various codes that were derived from the theme 'Blackness'.

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
Blackness	1	"People like the Indian/Asians and Afrikaans speaking White people when they sell to you there are some discounts that they will not give to you but they can give to someone else who is not Black."	Financial discrimination due to race
	2	"You can say to someone come work in Kliptown grocery retailer, he'd rather work in Bryanston even if they're going to take five taxis and they going to earn less but I suppose they prefer working for a White guy."	Intra-racial divide
	3	"High school teachers and lecturers prefer to get a policy from a White person, because they find, see skin colour as a sign, symbol of professionalism"…."Whereas a Black person, even if I have an MBA, I still have Black people doubt my MBA because I am a Black person."	Inter and intra–racial divide
	4	"…as a Black person, I will speak for my race, you understand? Even though there's so many I mean you have your Kula, you have…your established banks, you have loan financers like the government…but the thing that I find it, and not just me but I mean with some of my friends they went to these places asking for finance, not necessarily people who start, start-ups…It's people who are running but want to expand…it's not easy to get finance from these places because sometimes you have to be affiliated to the ANC, if you are not sometimes a member of the ANC, you are not connected, like they run this thing like the Mafia, you understand?"	Political affiliation as a means of economic emancipation
	5	"They are trying to sugar coat our problems, at the bottom of our liberation was the economy, that was the heart of what we fought for, the economy must be in Black hands and we cannot have the economy in Black hands through tenders."	Tenders hindering entrepreneurship
	6	"You know if you find a White-operated business in the township… the kind of theft and corruption you will not find…and then when you reverse this again and look at us as Black people we complain about White people bringing business in the township, we don't go out there and do things...we want to go and apply for a tender. Tenders don't build entrepreneurs, they don't build industrialism, what they do is a business that is driven by corruption."	Tenders hindering entrepreneurship
	7	"Black Africans are not as supportive in ensuring that entrepreneurs in	Negative

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
		their culture prosper, as opposed to other races and cultures like Jews and Indian/Asians, who when one of them start a shop the others purchase from them exclusively to ensure their survival."	perception of Blackness Cultural failure of Black Africans
	8	"The notion of a Black-owned business denied us credit."	Race as a determinant of credit worthiness
	9	"Being Black does affect, but how did others do it?"	Moving beyond 'Blackness'
	10	"So it's not only education, when you grow up as a White person you are fortunate to have a big family, that is prosperous, that has been in business for years. So when you grow up you like Indian/Asian children, you grow up in a business, it's in your blood: <u>it's in your DNA.</u>"	Higher business acumen in other races

Table 11: Thematic coding - Blackness

The issues that emerged from the discussion on 'Blackness' are:

i. Financial discrimination due to race.
ii. Intra–racial divide (working for a White owner seen as better).
iii. Inter and intra–racial divide (skin colour as a symbol of professionalism).
iv. Political affiliation as a means of economic emancipation.
v. Tenders hindering entrepreneurship (lack of industrialism, corruption).
vi. Lack of governmental regulation/intervention.
vii. Negative perception of Blackness, cultural failure of Black Africans.
viii. Race as a determinant of credit worthiness.
ix. Moving beyond 'Blackness'.
x. Higher business acumen in other races.

4.6.2. Critical elements for consideration by Black entrepreneurs

The data in the table below were extracted in attempt to check whether there are any EFCs that are unique to Black African entrepreneurs.

Theme	Participant No.	Quotes and Key Points	Preliminary Codes

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
Critical elements for Black entrepreneurs	1	"For example if you are in a corner selling tomatoes … the first day nobody buys, the second day someone asks about the price, the third day someone buys two and gives you hope and then you give up and leave while in the taxis that pass by there are people who looked and thought to themselves I will buy these tomatoes on my way back from work. It's not easy but you must stick in there… you need to last."	Perseverance, patience
	2	"I will tell you were the difference is however, if a guy sits in Sandton and I sit in Soweto the facilities in terms of government, government, government, let me put it like that…the official dealing with him in Sandton and the official dealing with me in Kliptown or in Orange Farm is different you know... and because we can say what we like because we are in the township, we apply the township mentality."	Inequitable distribution of government facilities Township mentality
	3	"Functionality of the services that the Black businesses are in…poor service delivery in the townships."	Location of businesses
	4	"…as young Black entrepreneurs you get that, yes the government has policies, there's funds available but you'll find that those funds at the end of the year they get returned to the government because they don't get forwarded to people who are supposed to be financed…"	Mismanagement of government funds
	5	"Remember the people who possess the money are the White people, so the concept of Soweto being that and that, negative and unfortunately our background we don't have assets that are from generation to generations…we are starting from all over, we are alone, we are trying to build a new legacy for ourselves and our kids…so things like collateral … the banks will tell you we are ready to fund small business, when you get there they are like, no you want two million? Give us security for two million…so those are the things that slowed us down, and missed opportunities."	Funding, missed opportunities
	6	"I mean they talk about, there's an opportunity for Black people, and really how do I start? Whereas White people have access to capital from their friends or families."	Inability to translate opportunity to success
	7	"I need access to find the correct market and it's my duty to win them and keep them."	Find your own niche Sustainability
	8	"There is racism in business."	Racism

Theme	Participant No.	Quotes and Key Points	Preliminary Codes
	9	"It's difficult to find Black partners with a knack and appetite to take the business far…The Black community struggles to create long term connections and partnerships in business as the entrepreneurial culture is not as strong as it can be….One of the most critical things to analysing a business is the location of the business."	Solid partnerships Location of businesses
	10	"The culture of entitlement amongst Black Africans."	Culture of entitlement

Table 12: Thematic coding - EFCs that are critical to Black business

The theme 'Critical elements for Black entrepreneurs' resulted in the following codes:

i. Perseverance, patience.
ii. Inequitable distribution of government facilities.
iii. Township mentality.
iv. Inability to translate opportunity to success.
v. Find your own niche for sustainability.
vi. Solid partnerships.
vii. Location of businesses (poor service delivery in townships, misconception about township through a "White" lens).
viii. Mismanagement of government funds.
ix. Culture of entitlement.
x. Funding (collateral).
xi. Missed opportunities.

4.7. Summary of the results

The figure below summarises the results of the study, in relation to the major themes that emerged. The results are discussed below.

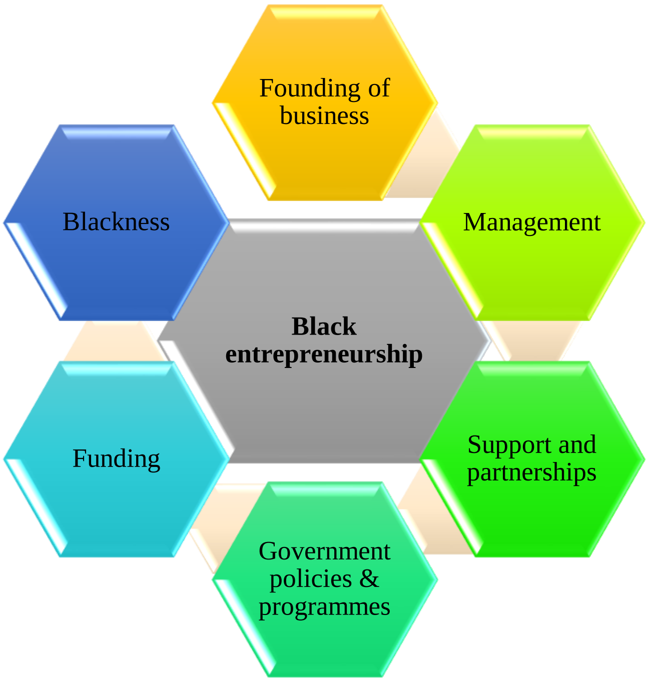

Figure 5: A summary of factors posing as challenges for Black entrepreneurship

The sampled entrepreneurs founded their business for three main reasons, the first of which was necessity entrepreneurship, where the entrepreneurs were in need of a job and realised that there was a gap in the market, and those who started their business straight from high school due to not having any other prospects for school or employment. The second group, intentional entrepreneurs, are those who purposefully studied towards a field, as well as innovators who recognised a gap in the market having come from a completely different working background. The last group, i.e. those whose entrepreneurship was opportunistic, went into their own businesses by virtue of having grown in the field through work experience.

Challenges that the entrepreneurs came across when starting out in their businesses were coded as follows:

i. A lack of tools of the trade/infrastructure, such as transport for servicing industries and buildings to operate from.
ii. Race, which served as a barrier to entry and a factor against which entrepreneurs were discriminated, as well as tensions within the Black African community in terms of a lack of partnership and support.
iii. Bureaucracy, such as issues of compliance and regulation.
iv. Funding, which entrepreneurs repeatedly mentioned in terms of a lack of collateral due to them being young and/or coming from family backgrounds where money was

not readily available, and the fact that tender processes that could potentially boost their businesses were hard to access due to corruption.

v. Management issues, such as the sustainability of the business, security and staff retention.

Attitudes and perceptions towards failure were centred on a lack of ambition or motivation/ morale of staff, as well as a sense that the business founder has more vested interest in making sure the business does well. Sources of failure occurred in the context of loss of interest in business; attempting other businesses due to having reached the ceiling in the first business; having faced too many hurdles; having lost income; having initially operated using a faulty business model due to inexperience; and a lack of mentorship and support. The inability to access assistance from the government due to a lack of information was a key issue, and bad management, corruption and lack of funding were reoccurring themes.

Major growth points listed included democracy serving as a catalyst for the recognition of Black managers and entrepreneurs; perfect timing for investment in South Africans; the ability to see competition as an opportunity to grow; pioneering marketing strategies within the insurance sector while in management before branching out; being awarded a major contract in the distribution of soft drinks due to having being recognised as ambitious, enterprising and hardworking; enlarging territory through formalising a restaurant by buying premises; acquiring the requisite tools of the trade (which was also mentioned as a challenge and a barrier to entry); and asserting authority by challenging discrimination in the private sector and winning the right to be provided funding in a "David-and-Goliath, banks-versus-Black entrepreneurs" case.

Issues around funding included the fact that Black entrepreneurs, due to their background of disenfranchisement, had problems accessing financing. In a positive light, government institutions emerged as viable funders provided that the applicants were prepared, yet a lack of information, experience, mentorship, partnerships and support made this challenging. Private institutions also served as funders, both in the banking sector as well as through enterprise development grants from the social responsibility wings of large firms, however race again proved to be a determinant of credit worthiness here, where Black Africans were considered to be credit risks due to their race as well as the location of their businesses in the townships. Own financing, although not very common in this sample, occurred through savings that were accumulated while working, or by taking a huge gamble and cashing out provident funds which were meant to be used in retirement.

Positive contributors came about through entrepreneurs investing in businesses that were modelled on existing successful business models, such as in the retail sector, specifically, grocery retailer franchises, which in turn ensured that entrepreneurs gained support from the franchisors. In one instance, the fact that the business was in the hospitality sector also assisted as skills were learnt at home and there was support from well-known patrons who visited the establishment and attracted good publicity. Lastly, one entrepreneur gained technical support from a bank by virtue of having had a long term financial relationship with them.

The policies and programmes implemented by the government to empower Black entrepreneurs assisted some of them, however the policies were also criticised as being misaligned. A lack of government support was mentioned as a problem due to the extensive bureaucracy, as well as corruption, anti-competitive behaviour, the sense that one has to know someone to be assisted, political affiliation serving as a means of economic emancipation, as well as general mismanagement of these institutions, especially those that are located in the townships. The role of tenders in hindering ‘organic’ entrepreneurship and resulting in a lack of industrialism and corruption were mentioned, linked to a lack of governmental regulation/intervention.

Racial issues, particularly ‘Blackness’, was mentioned throughout the data; there was a negative perception of Blackness and a perceived cultural failure of Black Africans, while other races were viewed as being more united and providing support to one another. An intra–racial divide also emerged, where working for a White owner was seen as being ‘better’. Skin colour was further seen as a symbol of professionalism, and other races were viewed as having higher business acumen. Finally, a frustration with using Blackness as a crutch or excuse for everything also emerged, other Black Africans were viewed as having a sense of entitlement; an appeal was made to moving beyond ‘Blackness’, citing other success stories within the race.

Critical elements were noted by Black entrepreneurs as being necessary if they want to translate opportunities into success, including perseverance, patience, finding their own niche for sustainability, and creating solid long term partnerships. This is important as Black entrepreneurs more often than not operate in the townships, which comes with its own challenges, as discussed. Furthermore, the inequitable distribution of government facilities in the townships serves as a challenge, as do the mismanagement of government funds, the 'township mentality' of bureaucrats and even employees, and a culture of entitlement. The next chapter discusses these results in detail, in relation to the context of the study and preceding literature review.

4.8. Conclusion

The findings of this study were presented in this chapter, using first person accounts from the interviews with the Black African established business owners. Themes emerging from the study, critical elements for the success of the businesses, as well as hindrances, were assessed. These findings were presented against the background of all three research questions. The following chapter offers a discussion of the findings of the study.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1. Introduction

This study investigated the Entrepreneurial Framework Conditions that affect the initiation and sustainability of entrepreneurship amongst Black Africans in Johannesburg; the impact of government programmes and policies on entrepreneurial activity; and the differences between the EFCs experienced by Black entrepreneurs and those identified by the GEM. The findings of this study have both areas of commonality and differences with the GEM Report (Herrington et al., 2012; 2015). This discussion will focus on all of the above aspects of the research.

5.2. Demographic profile of respondents and business profiles

All the respondents to this study were males, partly due to the research design and partly due to the previously discussed limitations. This corroborates the GEM South Africa report (2014), which found that South African entrepreneurs are typically male. Most of the respondents to the study were less than 50 years old, which is characteristic of the South African population, although it differed slightly to the GEM report (2014), which found that the typical South African entrepreneur was "between the ages of 25–44 years" (Herrington et al., 2015, p.4). This, as mentioned in the previous chapter, may be attributed to the selection criteria for this study, which disqualified a significant proportion of young Black entrepreneurs as it was looking at established entrepreneurs. This study purposefully selected Black entrepreneurs as it was assumed that they were best qualified to speak about the challenges they have faced starting and running a business in South Africa.

5.2.1. Educational attainment

Educational attainment is an important aspect of entrepreneurial activity and success, especially when taking into account the Apartheid policies that explicitly legislated inferior 'Bantu education' for Black Africans (BMF, 2015). The legacy of Apartheid also hampered the democratic government from recovering from the past and implementing a solid educational policy, which is still not up to the expected standard (NPC, 2011). A study by Dickson, Solomon and Weaver (2008 p.239) found that there was "strong evidence supporting the relationship between the levels of general education and several entrepreneurial success measures".

The GEM's findings indicated that entrepreneurs in South Africa typically have a secondary or tertiary level of education (Herrington et al., 2015, p.4), which is consistent with the findings of this study. In addition, two of the respondents had relevant educational training for the businesses that they went into, one in medicine and one in retail. This is consistent with a study by Barringer et al. (2005), which concluded that specific forms of knowledge-intensive education provide the recipient with an advantage if they start in the same industry.

Some of the respondents worked and studied simultaneously, while some started a business in totally different sector to their studies. Although the latter group's businesses and backgrounds were unrelated, it may be argued that having an education and experience in another field was still more beneficial than being uneducated and inexperienced, as some lessons learnt could be applied across sectors, especially in relation to management. Timmons (1999) argued that successful entrepreneurs are those who have developed a solid foundation of different management skills over a number of years in cross functional areas. This could be because they learn to avoid costly mistakes that result from inexperience (Wright et al, 2007; Barringer et al., 2005).

5.2.2. Characteristics of a business

The entrepreneurs interviewed were from Johannesburg, which linked with the GEM's findings that the typical entrepreneur in South Africa lives in an urban area (Herrington et al., 2015). The definition of an established entrepreneur was adapted from the GEM, which described them as those who are "running a mature business, in operation for more than 42 months and are undeterred by the fear of failure" (Herrington et al., 2015, p.14). For this study, the number of years running the business was stretched to five years, as it was believed that those entrepreneurs would have gained more experience, especially when it comes to the plethora of challenges that Black entrepreneurs face.

In terms of the sectors that the respondents operated in, the majority were in the food retail and tourism hospitality sectors. The automobile, logistics, transport and construction, insurance, property and medical and building industries each contributed one respondent to the study. The GEM findings indicate that South African entrepreneurs are typically involved in the retail and wholesale sector (Herrington et al., 2015).

5.3. EFCs associated with entrepreneurial activity amongst Black Africans

Entrepreneurs in this study founded their businesses for one of three main reasons: necessity, opportunity and innovation. Similarly, findings from the GEM Adult Population Survey (APS) indicate that 59.8% of Black African entrepreneurs were opportunity driven and 24.8% were necessity driven (Herrington et al, 2015).

The challenges that the business owners came across when starting out were related to a lack of access to the tools of their trade, lack of funding and collateral, management issues, poor infrastructure, race as a barrier to entry, bureaucracy, challenging tender processes and corruption. This corroborates the argument that that business owners need a certain amount of start-up capital to initiate a promising business; some basic qualifications and human capital resources; and [to overcome] external constraints and restrictions [considered as barriers to growth] that can prevent an effective realisation of the intention to expand (Stiles & Kulvisaechana, 2005).

Attitudes and perceptions towards failure are often an indicator of the journey that entrepreneurs had in their ventures, whether positive or negative. The importance of support for entrepreneurs cannot be understated as lack thereof may result in them making misguided decisions that result in failure. Sullivan (2000) argues that entrepreneurs need support and mentoring in any form, as it has a positive impact on their businesses. The findings of this study indicate that due to lack of mentoring and support, some business owners lost interest in their business after facing too many hurdles; losing income; using faulty business models and, not accessing assistance from the government due to lack of information. Similarly, a study by Sullivan (2000) found that business owners faced critical incidents that forced them to learn about [various important business management elements] such as “factoring, VAT, exporting and [acquiring] business premises” (p.167). Without these lessons, their businesses would have shut down.

Storey (1994) developed a theoretical framework to be used as a guideline outlining elements needed for business success, which includes “functional skills, management training, external equity, market positioning, state support, information and advice, and exporting.” The results of this study display some of the elements in that framework as entrepreneurs identified the following factors as positive aspects that allowed their business to grow and succeed: the entrepreneur being ambitious, enterprising and hardworking, pioneering a marketing strategy, receiving technical support from a bank, receiving support from Franchisor, timing of the business at the advent of Democracy in South Africa serving as a catalyst for the recognition of Black managers and entrepreneurs, the nature of business, Investing in businesses that were modelled on existing successful business models

5.4. The role of government policies in encouraging and sustaining entrepreneurial activity amongst Black Africans

The findings of this study show that the government's policies and programmes for empowering Black entrepreneurs have only been partially successful. Extensive bureaucracy, corruption, anti-competitiveness, political affiliations, the mismanagement of institutions located in the townships, the role of tenders in hindering 'organic' entrepreneurship, and the lack of governmental regulations and interventions were all listed as concerns. The EFCs of government policies from the view of the GEM focus more on labour market efficiency, where labour laws are tested for restrictiveness and regulations when doing business (Xavier et al., 2012).

Governmental programmes are often notorious for being broad and scattered, overlapping each other in terms of scope of assistance and thus inefficiently run (Smorfitt, 2008). The findings of this study are no different from what has been observed in the literature, in that these programmes are often corrupt when it comes to the awarding of funding. The entrepreneurs insisted that although the programmes are helpful and can catapult businesses to succeed, they are equally filled with corrupt practices that require benefactors to be affiliated to political parties. As one respondent stated, "it's not easy to get finance from these, because sometimes you have to be affiliated to the ANC, if you are not sometimes a member of the ANC, you are not connected, like they run this thing like the Mafia, you understand?" Levie and Autio (2008) concur, as they argue that entrepreneurs in some countries have to employ other political strategies to obtain access to funding, as it depends upon family connnections rather than merit.

The government policies framework was also consistent with the GEM report in that the entrepreneurs identified these policies as being critical to the stimulation of Black businesses in South Africa. The framework indicates a need to create a favourable regulatory environment for businesses to thrive through policy formulation and implementation. The

GEM reports highlight restrictive labour laws in South Africa as one of the major constraints identified by businesses (Herrington et al, 2015; Herrington et al, 2016/17). Likewise, the entrepreneurs in this study emphasised the need for policies that stimulate and encourage economic transformation as the economy is still imbalanced and transformation is taking place very slow. Furthermore Vilakazi (2011) argued that the colonial state died in South Africa, but is survived by the colonial economy, i.e. the economy still bears the very serious scars and shape of the colonial economy.

Some of the entrepreneurs stated that government policies are wrong and very conservative compared to the radical economic transformation that is required. They referred to the government as being economic “sell outs” that could not take the bold step that was required to change the economy of South Africa, but rather allowed their own desires to supersede those of the masses. As one participant mentioned, “…you know the reason why we are here is because we have a government that doesn’t have a plan, primarily. We have an ANC government that has no plan, no ideology; they don’t have a philosophy. If they had we would be fine 25 years on. You see, this country is being run by a few white people undercover”. The respondents also argued that the government has missed its opportunity for nationalisation, and were not bold enough to take a strong unapologetic stance towards the economic development of Black Africans, as the British and Afrikaners did when they had political power. “My opinion is that our current government is scared to face, to tackle challenges as they are, you understand? They are trying to sugar coat our problems, at the bottom of our liberation was the economy, that was at the heart of what we fought for, our economy, that the economy must be in Black hands”. The argument here is that during apartheid, the ruling party consistently created policies that deliberately improved the lives of White people through government assistance, whereas post-apartheid the ruling party, which was initially fighting for the rights of Black Africans, took a more business and investor friendly approach at the expense of the economic emancipation of Black African people. Furthermore, government policies were viewed by respondents as continuing to further the interests of established White firms instead of the smaller Black firms.

On the other hand, entrepreneurs in the study viewed government policies as having made a great impact in improving the lives of South Africans, although not perfectly. They believe that an extreme approach to policy would have resulted in the same discriminatory laws that built Apartheid, and true liberation is, as Mandela said, liberating for all. They feel that the

BBBEE policies have played a major role in that many companies would not have seen the need to establish enterprise development programmes and would not have pushed to open their supply chains to Black-owned enterprises. This view is still not widely held and supported, as most Black entrepreneurs seem to have had more negative than positive experiences. Many authors agree that the impact of BBBEE has not reached the masses (Davies, 2012; Groener, 2014; Stats SAb, 2014).

5.5. Comparison of the EFCs associated with Black-owned enterprises and the GEM's EFCs

Access to finance was the most commonly identified framework condition amongst the Black African established entrepreneurs, along with race. The respondents had either experienced and overcome the challenge of requiring access to finance, or attributed their inability to grow to a lack of access to finance. This is consistent with the GEM's findings, which stated that "like elsewhere in Africa, many of the businesses cite lack of finance and poor profitability as the main reason for shutting up shop" (Herrington et al., 2015, p.4). Entrepreneurs in this study further attest to the fact that they struggled to get start-up funding as they were not eligible for loans from traditional financial institutions such as banks and investment companies. Furthermore, even more worryingly, findings of this study indicate that Black African established entrepreneurs, who needed additional funding to grow their businesses, which had established track records of good practice and profitable financial reports, still struggled to get growth funding from many funding institutions. Even more concerning, some entrepreneurs had a franchises that were financed and had paid back their loans in record time, yet the banks would not finance the purchase of a third franchise despite having two as collateral. Along with the GEM (2014), numerous studies corroborate this finding (Brink, Cant & Ligthelm 2003; Mutezo, 2005; Chimucheka & Rungani (2011) ; Nieman & Neuwenhuizen, 2009).

5.5.1. Own financing

The access to finance framework was circumvented in many cases by entrepreneurs who took early retirement after having worked for many years, and risked their provident and retirement funds to start a business. Many of these entrepreneurs had 10-20 years of work experience and could not find funding from other sources such as government institutions, family or friends. As per Venter et al. (2008), financing your own venture can be one of the most effective ways of financing a business, as one does not lose any equity. However, this is not easy in the South African context, in that Black African established entrepreneurs are struggle to get funding with all their achievements, credibility, work experience and proven track record, resulting in them having to dip into their savings and provident funds. This puts them at an extra disadvantage and risks their futures and, should businesses fail, these entrepreneurs are left destitute, increasing the already high unemployment statistics in the country. Furthermore, if this logic stands of funding ones business using provident funds and savings, then young entrepreneurs who are unemployed or haven't worked for very long or do not stand a chance because they wouldn't have accumulated enough savings and wouldn't have a retirement package or provident fund in place that they can cash out. Unemployment statistics in the country already indicate that young, Black African people are the ones who form the largest share of unemployed people (Stats SA, 2017b). Thus, while funding one's own venture is an ideal way to go, it is very hard to achieve in the current economic climate of the country.

5.5.2. Other people's money – government, private institutions, family and friends

Entrepreneurship without start-up funding, collateral and the use of business as a source of income was seen in this study. Government institutions emerged as viable funders, but only if applicants are prepared, which is difficult due to a lack of information, experience, mentorship, partnership and support. The prevailing sentiment regarding these institutions is that they are not efficient enough, they are highly bureaucratic and corrupt, and they have insufficient capacity to support the South African population (Nieman, 2001; Kew & Marquette, 2002; Rogerson, 2004; Bradford, 2007; Herrington et al., 2012; Herrington et al, 2015).

Private institutions also serve as funders – both in the banking sector as well as through enterprise development grants from the social responsibility departments of large firms - however race is also considered a determinant of credit worthiness, where Black Africans are considered to be credit risks due to their race as well as the location of their businesses. This is consistent with the literature, where Fatoki and Asah (2011) asserted that it is even harder to obtain financing from private institutions for smaller business than it is for larger businesses, as the economics of it make more sense when organisations are larger and more established; the risk level is relatively easier to mitigate with more assets submitted as collateral than for smaller businesses. The financing challenge of entrepreneurs is no different in other African countries, for example entrepreneurs in Ghana also report a lack of financial support as the key inhibiter to the start-up and growth of companies (Abor & Biekpe, 2006; 2007).

Traditional banks are seen to be pro-White investments; they focus on investing in areas that they understand and are very conservative in their outlook. As one entrepreneur stated: “I was denied funding by a bank that I had done business with for a long time. The bank knew that I could afford the funding but denied me the funding due to the fact that I was going to build a business in the township and it was therefore a ‘risky’ investment”. The idea of Black entrepreneurs being a very risky investment because their businesses are in Black townships is an idea that perpetuates the cycle of poverty. Storey (1994) supported this, indicating that social/ethnic marginality serves as a barrier to business growth. One entrepreneur mentioned that the government must make sure that they have money set aside with a non-traditional approach towards investments, and banks must seek and search for Black entrepreneurs through strategic processes such as enterprise development and not wait for entrepreneurs to come to them. He also mentioned that banks must increase their risk appetite or they will keep recycling money amongst the same people. The literature mentioned that financing is the hurdle that most entrepreneurs struggle with, and is one of the most cited challenges by entrepreneurs (Levie & Autio, 2008).

It is surprising that the GEM (2012 - 2016/17) does not consider access to finance a challenge to established businesses; instead it cites a lack of commercial, professional and legal infrastructure (Herrington et al., 2015). The GEM considers access to finance to be a framework that hinders the transition from intentional entrepreneurs to early entrepreneurs, which means that the development of Black established entrepreneurs is still at the level of early entrepreneurs. This could also mean that the GEM identified a different set of entrepreneurs, who were most likely White established entrepreneurs, who did not have challenges securing funding with traditional banks. This substantiates the idea that the GEM was not representative enough when it conducted its research, and/or the use of national experts is not resulting in a true reflection of the South African economic conditions. In constructing financial assistance models, banks, government institutions and investors must take into account the history of this country and the economic imbalances of the past, and factor them into the risk calculations in order for them to truly cater for the South African demographic.

5.5.3. Access to markets and business regulation and procedures

The next two EFCs are separate and were distinctly reflected in the findings, but are discussed together in this chapter of the study as they are intertwined with the experiences of the Black established entrepreneurs. Access to markets mainly describes the economic barriers that are created by other established businesses, which are most likely White-owned, to prevent the entry and survival of Black established businesses. As per the literature, the South African economy is still largely in White hands with political power in Black hands (BMF, 2015); White enterprises were the first to market and have had years to establish resources and experience, and they can and should protect their market through competitive business tools and methods. This, however, becomes anti-competitive behaviour when White established enterprises create cartels and “old boys clubs” that are used to keep selected firms out of the market. This happens when companies collectively agree on pricing strategies, and share and protect each other’s markets from competition. Some companies have gone to the lengths of creating associations and regulatory bodies in the industries they operate in, which are then taken to be the “experts of those sectors”. These associations or regulatory bodies set the boundaries of competition and minimum regulation fees, which are kept at a level that is known to be difficult for smaller competing companies to afford. This is consistent with the literature, which states that there is often a need for upfront investment in technology, franchising or licensing fees, local patents, and business insurance against crime prone areas in the townships, and these fees can act as barriers to entry (Fatoki & Asah, 2011).

Extensive unfair regulations are strategically imposed on Black established businesses under the banner of business regulatory bodies. These are intense compliance requirements that are burdensome and destructive, keeping entrepreneurs overly occupied by compliance issues and fees. White businesses determine the rules of the game, such as accreditation and certifications of approval, in the insurance and automobile industry; these are not so much about how well companies know the business, but rather about who they know on the certification boards that can award them an accreditation.

According to the findings, the barriers are set so high that most companies cannot reach them and business is recycled amongst the few who can. The certification and “independent accreditation boards” are exclusive and controlled by White population groups based on their broad experience and understanding of the insurance industry. The board members are not in tune with the needs of Black-owned and established companies, and their laws and rules are one-sided, promoting the interests of a few at the expense of others. One entrepreneur reflected that “The problem with Black people is that when they get into the industry, the rules change”. It can thus be rightly stated that the dichotomy of political versus economic power leaves all parties clutching at their supposed advantage, and not realising the power of a balanced and fairly competitive environment (Hamilton, 2011).

The GEM report did not find this entrepreneurial framework condition to be relevant in the established business context in South Africa; they reflected on the commercial and professional infrastructure, legal infrastructure, internal market openness and government policies/programmes (Herrington et al., 2015). The GEM consortium is currently not concerned with anti-competitive behaviour and regulation at this as they have found ways around them. The Global Business Report has, according to literature, identified regulations and business procedures as being highly restrictive and cumbersome in South Africa. This refers mostly to the time it takes to register a business and other business-related compliances in South Africa. Established businesses are not challenged as much by this, as South Africa has an established commercial infrastructure with lawyers and accountants who can manage that for established GEM businesses, however Black established businesses may have a challenge with affording those fees, as do smaller businesses.

5.5.4. Blackness and Black entrepreneurial culture and norms

This section discusses Blackness and Black entrepreneurial culture and norms as EFCs that should be considered when studying the level and dynamics surrounding entrepreneurship in South Africa. Racial issues in South Africa, specifically in relation to the Black African population group, have been mentioned repeatedly by entrepreneurs interviewed in this study, as factors that can create barriers to entry in business for that particular population group. While race is one of the variables used in the GEM consortium’s Adult Population Survey (APS), it hasn’t been interrogated further as one of the EFCs that contribute to the level of entrepreneurship in a country. Given the political history of this country, in which Black Africans and other non-whites were discriminated against, by law and systematically prevented from accessing equal opportunities educationally in the health sector and economically, it is inevitable that the ripple effect of this will be felt in present day society (BMF, 2015).

The idea of a "Blackness" EFC that has emerged from this study describes a racial identification based on skin colour, that is viewed negatively in the business world. The findings of this study suggest that, in business or entrepreneurship, Blackness is often viewed as synonymous with laziness, corruption, risk and incompetence. For example, most people would automatically want to do business with a White person instead of a Black person, regardless of how competent a Black entrepreneur may be. The second EFC is the Black entrepreneurial culture and social norms, which has a lot more to do with the actual entrepreneurial culture of Black people, their social norms in business and how those affect their enterprises. Neither of these EFCs were identified as being relevant in the transition from early entrepreneurship to established businesses, but culture and social norms are a relevant EFC in the GEM Model.

Black established entrepreneurs identified the first framework of Blackness as being relevant to their day-to-day business because it plays a role with their clients. Racism or racial discrimination is still relevant in the South African economy, not only between Black and White citizens, but also amongst Blacks. In the first instance, Black South Africans are discriminated against because of the perception that other economic agents have towards them as a race. Blacks are perceived as being incompetent, while Whites are seen as competent, reliable and consistent. This was reflected on by an entrepreneur as follows: "High school teachers and lecturers prefer to get a policy from a White person, because they see skin colour as a sign or symbol of professionalism…. Whereas a Black person, even if I have an MBA, I still have Black people doubt my MBA because I am a Black person". The notion of African time verses western time furthers the notion that Black Africans are always late for meetings, while White entrepreneurs are always on time.

These seemingly small but consequential perceptions play a major role in the eyes of investors and gatekeepers; Blackness and Black townships have a perception of being risky investments with unsecure businesses that can be robbed. Investments in townships are not viewed as being sustainable, but rather as high risk due to crime levels amongst Black people. Other entrepreneurs found Blackness to be a good motivator to prove to their customers that they can complete a job in time and according to cost. This means that Black established entrepreneurs work twice as hard to convince and sign clients.

The Black African culture of collectivism (Ubuntu) was also identified as being taken over by the western culture of individualism, i.e. many Black entrepreneurs look for Black partners but cannot find them, as opposed to the Indian, Asian and Jewish communities. “Black Africans are not as supportive in ensuring that entrepreneurs in their culture prosper, as opposed to other races and culture like Jews and Indian/Asians who when one of them start a shop the others purchase from them exclusively to ensure their survival”. Black entrepreneurs also accuse themselves of having a very short term mentality, in that they establish businesses and live beyond the business’ abilities before the business can make money; “My only dilemma was management …one would make money, spend it and don’t invest in the business…I was living from hand to mouth, I would work, buy stock, do people’s hair and then pay suppliers, pay everyone, the rest was my money…so my businesses collapsed, they all failed”. The entrepreneurs also indicated that other Black people seem to have a closed-off mind-set to the opportunities around them and they feel entitled. This sense of entitlement argument has been noted in the literature, with an emphasis on South Africans blaming too much on Apartheid (Preisendorfer, et al., 2012; Herrington et al., 2011; Urban, 2011, Ngcamu, 2002).

The poor entrepreneurial culture amongst Black Africans is seen in how other nationalities establish businesses where Black Africans have lived for years, but did not see any opportunities. All of the above entrepreneurial weaknesses are attributed to the disempowerment effect of the legacy of Apartheid. This is consistent with the literature that suggests that Black people were denied an opportunity to create an entrepreneurial legacy that can be passed on from generation to generation. A result of centuries of segregation and discrimination has created a people who are dependent on the state, and decades of educational segregation has created a mentally constrained people (BMF, 2015). Only education and the success of others amongst them can model and unlock the success and capacities of others; the more Black people succeed, the more they will have the educational and financial collateral to unlock the capabilities of others.

It is strange to see that the GEM does not reflect these two economic framework conditions, especially taking into account the historical heritage of South Africa (Herrington et al., 2012; Herrington et al, 2015; Herrington et al, 2016/17), but does consider cultural norms to be a framework condition. The South African history of discrimination sets the foundation for the South African economy and is central to a large population group in the South African economy; it is the basis upon which the mentality of Black Africans and the economic superiority of White Africans has been established, and if the GEM is to consider the whole South African economy, then its foundation must be factored in. Again, the premise upon which the GEM is established is questionable in that it clearly outlines the desires, worries and interests of the economic majority, who are a demographic minority. The GEM does not adequately factor in the Black established businesses and their entrepreneurial culture, although the model requires that in terms of contextualisation. When framing entrepreneurial conditions the GEM is supposed to be representative of the region, but in this case it seems to be representing a select few of the business population.

5.6. Conclusion

This chapter reflected on the findings of this study, comparing them against literature, linking them to similar findings by other scholars, as well as contrasting them against those that differ. This is important as this study is part of larger body of work, and findings are only useful if they can be interrogated, challenged and refined prior to informing the implementation of policies to improve the status quo. The conclusions and recommendations of this study are found in the chapter that follows.

CHAPTER 6: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.1. Introduction

The EFCs that affect entrepreneurial activity and sustainability amongst Black Africans in Johannesburg were investigated in this paper, coupled with a discussion of the impact that government programmes and policies have on entrepreneurial activity and the differences between the EFCs experienced by Black entrepreneurs and those identified by the GEM. This was done from the perspective of Black entrepreneurs in Johannesburg, South Africa, using an interpretative qualitative design, as the researcher believed that reality is multi-faceted and best illustrated by allowing individuals to construct their own realities.

While the overall findings of the study may have concurred with the GEM's findings at a superficial level, an in-depth reading of the data revealed two main factors that are distinctly associated with Black African entrepreneurship, i.e. race, meaning being a Black African as a determinant of entrepreneurial activity and success, and financing, which was acutely pronounced in this particular population group due to historical factors that were mentioned repeatedly throughout the paper. A summary of the results, the limitations of the study, recommendations for future research, policy recommendations and overall conclusions follow in the rest of this chapter.

6.2. Summary of the findings

6.2.1. Founding of businesses

The established Black business owners interviewed for this study indicated that they started their businesses out of necessity, intention and opportunity.

6.2.2. Challenges

The challenges that the business owners came across when starting out in their businesses included a lack of trading tools, poor infrastructure, bureaucracy relating to issues of compliance and regulation, management issues, funding, poor race relations.

6.2.3. Attitudes and perceptions towards failure

Attitudes and perceptions towards failure mainly related to business owners realising that there was lack of ambition or motivation and low morale amongst their staff, while their efforts as owners were more intense as they had a vested interest in ensuring the business succeeded.

Sources of failure were located in business owners losing interest in the initial business idea and attempting other businesses, before hitting a ceiling and being unable to diversify and innovate, or facing too many challenges in the original business model. Loss of income; faulty business models due to a lack of experience, mentorship and support; and an inability to access assistance from the government were other sources of failure.

Issues around funding included the fact that some Black entrepreneurs, due to their background of disenfranchisement, were starting businesses out of necessity. Where businesses were intentional, funding was problematic as the entrepreneurs did not have start-up funding or collateral, and the businesses they started were their only source of income. Government institutions emerged as viable funders in cases where applicants were prepared, but there was a lack of information, experience, mentorship, partnerships and support amongst would-be entrepreneurs. Private institutions also serve as funders, however race is a determinant of credit worthiness. Self-financing occurs through savings or cashing out provident funds.

6.2.4. Major growth points and positive contributors to business

Major growth points that have contributed to the success of businesses include the advent of democracy in South Africa; Competition; Marketing strategy; being awarded a major contract; formalising a restaurant; acquiring the tools of a trade; and asserting one's authority. Positive contributors to business also came about from investing in franchises, using skills learnt at home, and support from well-known patrons. Other positive aspects related to timing, financial assistance from the government, and gaining technical support from a bank due to having had a long term financial relationship with them.

6.2.5. Policies and programmes for empowering Black entrepreneurs implemented by government

The democratic government committed to empowering Black people in order to create employment opportunities and grow the economy, however these policies have also been criticised as being misaligned. A lack of government support was mentioned as a problem due to extensive bureaucracy, corruption, anti-competitive behaviour, political affiliation serving as a means of economic emancipation, and general mismanagement of these institutions.

6.2.6. Race issues

'Blackness' was frequently mentioned, where there was a negative perception of Blackness and a cultural failure of Black Africans to work together and assist one another as well as to self-actualise. Other races were viewed as being more united and providing better support to one another; inter- and intra–racial divides were mentioned; skin colour was seen as a symbol of professionalism; other races were viewed as having higher business acumen; there was a frustration with people using Blackness as a crutch or excuse for everything; and Blacks were viewed as having a sense of entitlement.

Overall, the findings of this study are similar to those of the GEM regarding EFCs, however it is important to note that race and finance are two main findings that are unique in the way that they have affected the participants in the study. Race has both propelled them to success through the redistributive efforts of the government post democracy, and served as a barrier to entry due to people not having faith in them or being weary of tokenism and window dressing. Additionally, race is particularly complex as it is intertwined in all of the other factors, most notably access to finance, which was the second most commonly identified factor in determining success in entrepreneurship. While this is a general challenge in entrepreneurship, it is particularly challenging for Black African entrepreneurs in South Africa due to historical disenfranchisement and their lack of access to the long standing networks of financing in the country.

6.3. Implications

The findings in this study have implications for future research in order to be able to build on the current study. This is especially important as the sample was small (which is appropriate for a qualitative study), however in an attempt to gather more data that can be generalised to a larger population, it is important that further in-depth studies with larger sample sizes be conducted.

Furthermore, policy-makers and other decision making bodies within government and the business sector should be mindful of the findings of this study, especially when creating policies and programmes that aim to increase the number of Black African entrepreneurs in the country, as well as assist them in sustaining their businesses, thereby improving the economy.

6.4.Policy recommendations

The implementation of existing government policies that encourage entrepreneurship should encompass and seek to deal with, amongst others, gender dynamics and including women as a significant part of business communities; the extent to which entrepreneurs who are still starting out are able to access funding; lessening the bureaucracy related with starting businesses; and providing information more widely and clearly to those who may be interested in going into business as a form of livelihood.

The entrepreneurs in this study also recommended that the government make sure that they have money set aside to accompany a non-traditional approach towards investment, and that banks must seek and search for Black entrepreneurs through strategic processes such as enterprise developments. Furthermore, banks must increase their risk appetite to avoid perpetuating the cycle of providing help to the same people over and over again. In constructing financial assistance models, banks, government institutions and investors must take into account the history of the country and the economic imbalances of the past, and factor them into the risk calculations in order for them to truly cater for the South African demographic.

6.5.Limitations

Qualitative research, which is an approach that acknowledges the researcher's subjectivity, requires that the "biases, motivations, interests or perspectives of the inquirer" be identified and made explicit throughout the study (Lincoln & Guba, 1985, p. 290). Throughout the process of conducting this study, "the researcher was sensitive to possible biases by being conscious of the possibilities for multiple interpretations of reality," (Thomas, 2010).

The scope of the paper was limited to established Black African entrepreneurs for the purposes of a focussed social enquiry of distinct economic framework conditions relevant to this group. This means that the findings of this research are not relevant to all South Africans. The paper was also limited to Johannesburg-based entrepreneurs for logistical and financial reasons. There may also be a limitation in the fact that the researcher is part of the Black African population group, thus a strong Black African bias may be present.

The sample was all male therefore it does not truly represent gender dynamics; it is acknowledged that gender is a critical aspect that needs to be considered, particularly amongst Black women who account for more of the South African population than Black males (Stats SA, 2016), yet are not equitably represented.

6.6.Recommendations for future research

Population statistics in South Africa indicate that "approximately fifty-one per cent (approximately 28.53 million) of the population is female" (Stats SA, 2016), yet women are known to earn less (Bosch, 2015), have a higher unemployment rate (Stats SA, 2016), have less entrepreneurial activity (Herrington et al., 2015; 2016/17), and experience the brunt of negative socio-economic outcomes (Stats SA, 2017b). The government has introduced various initiatives to encourage the participation of females in the mainstream economy, and there are attractive opportunities for large scale contracts to be awarded to small Black- and female-owned business (Mthembu, 2009), yet at times these opportunities result in the exploitation of female entrepreneurs, especially given the fact that this is a predominantly male-dominated area. These opportunities thus draw a large pool of Black-owned enterprises in the name of BBBEE, yet they are not sufficiently capitalised to survive the long sales cycle inherent in the bureaucratic systems of the government (Mthembu, 2009). A study on EFCs amongst female entrepreneurs in South Africa is thus recommended.

Young people make up the bulk of the working age population in South Africa, yet they are the most unemployed and underemployed group in the country (NPC, 2011; Stats SA, 2016; 2017). A study on EFCs amongst young entrepreneurs in South Africa is therefore recommended, in order to shed light on the possible reasons for this from the perspectives of young people themselves.

The findings of this study indicate that framework conditions are not limited to regions and countries or economies, but also cultures and social norms. This indicates a need for extensive qualitative research, with the intention of fully understanding the social phenomena that influence entrepreneurship. There is thus a need for targeted studies using experts that are nationally representative in the country in order to reflect the true conditions on the ground.

A broad research scope that will look into all nine provinces of the country, taking into account the frameworks that may be specific to smaller segments of the country and creating a more generic framework condition, is recommended. Economic policy will benefit from further work done on this topic at a larger scale with a larger and more diverse sample size, as the findings illustrate a vacuum in the knowledge base regarding which factors facilitate entrepreneurship within the Black African population group.

Furthermore, it would be beneficial to broaden the scope in a future comparative study that encompassed a sample of both Black and White entrepreneurs, in order to determine whether there are absolute differences in their experiences.

6.7.Conclusion

Critical elements were noted by Black entrepreneurs as being related to finance and their inability to access it from private institutions, due to a lack of collateral and their race being a proxy for credit worthiness or a lack thereof. Furthermore, due to corruption in government institutions and a lack of information about where to go to access help, as well as what to prepare (business plans, proposals and others), financing through governmental institutions also serves as a challenge to access. While some were able to finance their own ventures through savings and provident funds, they would not recommend this to others, as should they have failed, they would have been left destitute.

Black entrepreneurs in this study also cautioned others to re-invest their profits, and to have perseverance, patience and find their own niche for sustainability. The value of creating solid long term partnerships was stressed repeatedly throughout the interviews, which is confirmed by the social network theory that states that businesses created by partnerships have a higher probability of succeeding. This is particularly important as it is a model that has been seen to be successful in other races, cultures and religions, especially as Black entrepreneurs generally start off relatively ‘weaker’ than other races due to the effects of the past dispensation.

Other aspects to be considered as a Black African entrepreneur relate to being careful about the location of one’s business; i.e. locations in townships come with their own challenges such as poor service delivery and misconceptions about safety and sustainability.

This study further found that framework conditions are not limited to regions and countries or economies but also extend to cultures and social norms. Ultimately, there is a need for further research and harmonisation of the framework conditions with the South African landscape in order to appeal to the South African market.

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APPENDIX A: Data collection instrument

Dear Survey Participant,

Thank you for your willingness to participate in this research project on *Entrepreneurial Framework Conditions associated with entrepreneurship amongst Black African Entrepreneurs in Johannesburg, South Africa*. Below is more information regarding this project:

Why are we doing this?

This research study is a project that is carried out by a student in partial fulfilment of a Masters Degree in Entrepreneurship and New Venture Creation at the University of the Witwatersrand (Wits) Business School. It is examinable and will, together with coursework, count towards them acquiring the degree. Once it is completed and has gone through all the requirements of the Management Faculty and Wits Business School, it will be published on the Wits internal website.

Why have you been selected?

This study aims to understand the Economic Framework Conditions associated with entrepreneurship amongst Black African entrepreneurs in Johannesburg, South Africa.

You have been selected for an in-depth interview about your experiences as a Black African entrepreneur, operating in Johannesburg. It is the assumption of the researcher that you are in the best position to provide information pertaining to challenges that you have experienced as well as positive aspects that have contributed to your success as an entrepreneur. Furthermore, it is assumed that since you are in the industry, you will be able to contribute with valuable information on the entrepreneurial climate in Johannesburg and in the country as whole.

Ultimately, the researcher endeavours to help frame our ‘South African reality’ on Entrepreneurial Framework Conditions through providing empirical evidence, gathered from your participation in this study, that will assist in targeted and relevant policy interventions as well as, most importantly, promote the establishment and sustainability of Black-owned enterprises in the country.

Please note that your participation is strictly voluntary and you may choose to stop participating at any stage of this interview and the project with without any negative consequences to you, your associates and/or family.

Who are the researchers?

The research is conducted by *Sakhile Mkwanazi*, a Masters in Entrepreneurship and New Venture Creation Student at the University of the Witwatersrand Business School. Depending on time constraints and if the need arises, the researcher may elicit the help of research assistant(s), who are trained in research ethics, for the purpose of quality assurance and capturing or transcribing of data.

This research study is conducted under the supervision of *Dr. Robert Venter*, a Lecturer at the University of the Witwatersrand (Wits) Business School.

What are we doing to ensure confidentiality?

We assure you that all that we discuss today and in any follow up interview is purely for academic purposes. Anything that you say is between you and the researcher and presentation of findings will not link any identifying characteristics to your responses. To ensure confidentiality, data is being stored electronically in a database on a secured server and access is restricted to the researcher(s) and examiners. At the end of the project, once it has gone through all the requirements of the Management Faculty at the Wits Business School, a report detailing findings will be available for you, should you be interested in reading them.

Should you have any questions, complaints or feedback during or after the study you are free to contact Sakhile Mkwanazi on: 073 213 1742 or Bsemkwanazi@gmail.com.

Or

Dr. Robert Venter on: Robert.venter@wits.ac.za.

Thank you for your participation.

SECTION	QUESTION	PROBES	PURPOSE
Section B : Information on the Business	Are you the founder of a business?	This question is closed- ended and merely requires ‘Yes’ or ‘No’ response	To determine whether the respondent is an entrepreneur.
	Are you the owner of a business?	This question is closed- ended and merely requires ‘Yes’ or ‘No’ response	Ownership is determined by whether the respondent owns 51% or more of the business, as per the requirements of a Black-owned enterprise (Stats SA, 2014).
	How much ownership do you have in the business in terms of percentage?	This question is closed-ended and requiring a percentage from 0-100%	Follow – up of previous question. It determines whether they own 51% or more shareholding .
	In which sector does your business operate?	This is a straightforward question that the respondent will be knowledgeable about	To determine the sector within which Black Africans are likely to operate, whether informal (as suggested by literature) or formal and in that case, what kind of industry.
	Please indicate the average turnover of your business per year	This is a straightforward question and requires no probing.	This question determines the amount of money that the business makes, per annum.
	Please indicate how long your business has been operating	This is a straightforward question and requires no probing.	It determines the number of years/months that the business has been operating to determine if it is established or not according to the needs of this study, which is 5 years or more.
	Please indicate the number of employees that you have in your business	This is a straightforward question and requires no probing.	This question determines the size of the enterprise.
Section C : Entrepreneurial experience	Please take us through how your business was founded	Who were the key role players in founding your business? Were there any challenges in the beginning?	Determines catalyst behind the pioneering of the business, was it necessity – based? Due to unemployment and lack of viable employment prospects? Or was it innovation based? Is it based on something the business owner studied? What were the challenges?
	How much growth has your business experienced ever since?	Please take us through the growth points Please take us through challenges if there	Growth points and the explanations of how they came about the critical incidents that led to them will help with preliminary

		were any in each phase	formulation of EFCs from the perspective of Black African entrepreneurs in South Africa.
	In your journey in business so far, please indicate the Economic Framework Conditions you have experienced, if any?	Researcher to provide a definition or explanation of Economic Framework Conditions	The aim of this question is to unearth what the catalysts and challenges that the entrepreneur experienced when starting their business and in every subsequent step of the way. This is open ended and participants are allowed to express those conditions that were pertinent in their journey without being restricted in any way.
	How did these conditions affect your business, if they did?	Negatively or positively? Did they result in growth? Lessons learnt?	This question is asked to gauge the effect of the EFCs experienced by the entrepreneurs in their journey and whether these contributed to the growth of the business.
	Are there Economic Framework Conditions you are aware of that are critical to Black entrepreneurs even if they are not relevant to your business?	These may be from a different sector, anecdotal or from witnessing past experiences	This question aims to ultimately determine whether there are differences between the GEM EFC's and those experienced by Black Africans.

APPENDIX B: Informed consent form

Informed consent for participation in a research study conducted by *Sakhile Mkwanazi* on *Entrepreneurial Framework Conditions associated with entrepreneurship amongst Black African Entrepreneurs in Johannesburg, South Africa*, in partial fulfilment of a Masters Degree in Entrepreneurship and New Venture Creation at the University of the Witwatersrand

I ________________hereby agree to participate in the abovementioned research study and consent to the recording of my interview with *Sakhile Mkwanazi* on the basis that anonymity will be guaranteed and the information that I provide will only be used for this research study.

I have been informed that my participation is voluntary and I may choose to stop participating at any point in during this or any subsequent interviews.

I accept that my participation is purely for academic reasons and there will be no remuneration or compensation at the end of this interview, nor at completion of this project.

I understand that I am free to request a copy of the Research paper once it is finalised by the student and examined and published by the University of the Witwatersrand.

____

Signature of participant

____

Signature of student – Sakhile Mkwanazi

Thank you for your participation