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# INFLUENCES OF CONTEXT, MOTIVATION, AND COGNITION OF SMALL BUSINESS ENTREPRENEURS ON ENTERPRISE PERFORMANCE

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**(692399)**

**Thesis submitted to the Faculty of Commerce, Law and Management University of the Witwatersrand, Johannesburg, South Africa, in fulfilment of the requirements for the award of PhD in Management (Entrepreneurship)**

**2018**

## DEDICATION

To the two most important women in my life:

**Alhaja Rafat Temitope Owoseni (late),** Mum, you inspired in me an active search for knowledge, discipline and excellence.

**Risikat Titilayo Owoseni**, a friend, helper and wife. Your support and sacrifices have always kept me going!

Thank you.

## ABSTRACT

The development of a viable small, medium and micro enterprises (SMMEs) sector has been a major priority in the economic policy agenda of South Africa since 1995. However, there are challenges regarding the viability and performance of these SMMEs. Although several studies have made significant attempts in understanding the factors militating against the growth and performance of SMMEs including individual characteristics and systemic factors, there is no consensus on the major determinants of business performance. However, studies have already identified the methodological gaps. While key factors of motivation have been widely tested, the extant literature has not clearly identified the underlying cognitive factors and the effects of such factors on business performance in an African emerging market context. This study was designed to fill the research gap by testing the multidimensional model of enterprise performance regarding individual characteristics and contextual factors based on social cognitive theory to understand factors influencing business performance among SMMEs in South Africa.

This study utilised a cross-sectional research design through a mixed-method primary data collection involving both quantitative and qualitative data. Data were collected in the three metros of Cape Town, Durban and Johannesburg. The quantitative phase involved the collection of data through questionnaires from 312 entrepreneurs at different stages of business. The qualitative phase involved in-depth interviews with 32 entrepreneurs. The quantitative data were analysed with SmartPLS version 3.2.4 and STATA version 13 in line with the objectives. Both descriptive and inferential statistics including partial least square structural equation modelling (PLS-SEM) were used. Content analysis was used to analyse qualitative data with ATLAS.ti software.

The main findings of the study were that the level of education and managerial experience enhanced enterprise performance. Statistically significant factors of motivation that influence financial performance are *need for achievement* (0.269, $p<0.05$), *locus of control* (-0.292, $p<0.05$) and *risk-taking propensity* (0.285, $p<0.05$). Further, cognitive factors of skills (0.189, $p<0.05$) and ability (0.160, $p<0.05$) were found to influence financial performance. Knowledge showed a significant relationship with relative performance (0.236, $p<0.05$) and satisfaction with performance (0.223, $p<0.05$). The combined influence of the need for achievement, locus of control, risk-taking propensity, skill and ability on the financial performance of the firm

($R^2$=0.305) recorded the highest behavioural propensity combination. In addition, motivational factors of need for achievement, risk-taking propensity and the cognitive factor of knowledge significantly influenced performance indicators of relative ($R^2$=0.236) and satisfaction with performance ($R^2$=0.339) respectively. Further analysis shows entrepreneurs as being rational and purposive in their risk-taking according to normative socio-cultural, political and economic indicators in the country. There is consistency in the joint influence of some factors of motivation and cognition on different performance indicators within the interaction terms using contexts as moderators. There are indications that limited capacity may impact negatively on the coping capability of entrepreneurs in an unfavourable context leading to a cautious approach to risk-taking.

The study concluded that both individual and cognitive factors played significant roles in the prospect of an SMME's viability and overall performance, and that contexts matter. Overall, this study made significant methodological contributions, both in terms of the analytical approach adopted and the development of new measurement scales for key constructs.

**Keywords**: Motivation, cognition, SMMEs, financial performance and South Africa.

## DECLARATION

I Taofeek Adejare Owoseni declare that this thesis is my own original work. It is submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in Management at Wits Business School, University of the Witwatersrand, Johannesburg, South Africa. To the best of my knowledge, it has not been submitted before in part or in full for any degree or examination at this or any other University.

……

……. day ……., 2018

Thesis supervised by: *Emeritus Prof. Frederick Ahwireng-Obeng*

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## LIST OF ACRONYMS

| | |
|---|---|
| AVE | - Average variance extracted |
| BRICS | - Brazil, Russia, India, China and South Africa |
| CIPC | - Companies and Intellectual Property Commission |
| CR | - Composite Reliability |
| DBI | - Doing Business Index |
| EFCs | - Entrepreneurial Framework Conditions |
| ESE | - Entrepreneurial Self-Efficacy |
| FPF | - Financial Performance of the Firm |
| GCI | - Global Competitiveness Index |
| GEM | - Global Entrepreneurship Monitor |
| KSA | - Knowledge, Skill and Ability |
| LLCI | - Lower Limit Confidence Interval |
| LOC | -Locus of Control |
| nAch | - Need for Achievement |
| PCA | - Principal Components Analysis |
| PLS-SEM | - Partial Least Square Structural Equation Modelling |
| RPF | - Relative Performance of the Firm |
| RTP | - Risk-taking Propensity |
| SCT | - Social Cognitive Theory |
| SMMEs | - Small, Medium and Micro Enterprises |
| SPF | - Satisfaction with Performance of the Firm |
| TEA | - Total Entrepreneurial Activity |
| WEF | - World Economic Forum |

# CHAPTER ONE

# INTRODUCTION

## 1.1 Introduction

"If we are ever to truly understand entrepreneurship, it is imperative that we understand the multi-faceted nature of entrepreneurial thinking and of its genesis" (Krueger, 2003, p. 135).

The relationships between an entrepreneur's personal characteristics and the performance of his/her business are frequently discussed and addressed in entrepreneurship theory and research (Chandler & Hanks, 1994; Chrisman, Bauerschmidt, & Hofer, 1998; Herron & Robinson, 1993; Rauch & Frese, 2007). Past researches aimed at understanding the personality of an entrepreneur have produced conflicting and inconclusive results according to Sexton & Bowman (1984). The definition of an entrepreneur has not been agreed upon among scholars and it is, in fact, controversial (Carland, Hoy, & Carland, 1988; Gartner, 1988; Shane & Venkataraman, 2001a). Despite conflicting evidence in classifying entrepreneurs with personality traits, there is persuasive evidence that the performance of a business organisation and its success depends largely on the entrepreneur (Chandler & Hanks, 1994; Sanberg, 1986) and entrepreneurs do have traits and characteristics that make them act entrepreneurially even if those traits are not particular (Herron & Robinson, 1993; McClelland, 1987). There is a fairly consistent relationship between achievement motivation and entrepreneurship based on the results obtained by Johnson (1990), while business owners' personality traits reveal that, traits matched to the task of running a business produced higher effects sizes and correlated well with business success (Rauch & Frese, 2007).

There has been increasing interest among entrepreneurship scholars in studies using the cognitive approach, especially related to those factors that are directly relevant to the entrepreneurship process and behaviour (Baron, 2004a; Krueger, 2007; Mitchell, Busenitz, Lant, McDougall, Morse, & Smith, 2002; Mitchell, Busenitz, Lant, McDougall, Morse, & Smith, 2004; Shane, 2000; Shane, Locke, & Collins, 2003). While lack of convergence is acknowledged, conventional wisdom and empirical evidence suggest that individual factors that influence entrepreneurial actions (motivation and cognitive factors) vary across persons (Busenitz &

Barney, 1997; Mitchell, Smith, Morse, Seawright, Peredo, & McKenzie, 2002; Urban, 2010; Venkataraman, 1997) and across borders (Busenitz, Gómez, & Spencer, 2000; Busenitz & Lau, 1996; Manolova, Eunni, & Gyoshev, 2008). They can, in fact, lead to different outcomes such as opportunity recognition and positive exploitation (Krueger, 2000; Shane & Venkataraman, 2000), venture creation (Gartner, 1988) and performance (Chandler & Hanks, 1994) or success (McLaughlin, 2012; Solymossy, 1998). It is simplistic to infer that entrepreneurship occurs because an individual entrepreneur has the psychological disposition to act and therefore causes entrepreneurship (Gartner, 1988). Given the behavioural processes involved in acting on day to day business decisions, it requires that entrepreneurs' abilities to discover, evaluate and think, motivate them to act repeatedly (Ardichvili, Cardozo, & Ray, 2003; Davidsson, 2008; Hindle, 2007). Since acting on an opportunity may involve opportunity cost (Shane, 2003; Venkataraman, 1997), entrepreneurs will need to engage their cognitive properties to analyse carefully before acting (Krueger, 2007).

In spite of the recognition of intention as a precursor to action (Bagozzi, 1992; Bagozzi & Warshaw, 1992; McBroom & Reed, 1992), our understanding of the intention-action link is limited and motivation is identified as the missing link that can trigger action (Carsrud & Brannback, 2011). However, motivation may be necessary but is not sufficient for the quality of action desired to generate a business organisation's performance. Behavioural effectiveness and success at the post start-up phase in business depends on previously accumulated cognitive resources (Krueger, 1993) and motivation (Berthelot, 2008; Mitchell, Busenitz, Bird, Gaglio, McMullen, Morse *et al.*, 2007; Shane *et al.*, 2003). Certain behavioural characteristics of entrepreneurs such as: the ability to recognise the needs of a changing environment, entrepreneurial motivation to act on these insights, ability to take effective action on such perceptions and the ability to motivate others to behave in a similar manner, can aid new venture success according to Hofer & Sandberg (1987, p. 22). Expectedly, thinking, perception, motivation and action occur within a context (Carsrud & Brannback, 2011; Luthans, Stajkovic, & Ibrayeva, 2000; Shane *et al.*, 2003). This perspective leads us to ask a fundamental question: What would the impact of an entrepreneur's motivational and cognitive factors be on the performance of a business organisation given the specific context of the South African economy?

So far, research on the performance of enterprise has largely focused on comparing the personality characteristics of entrepreneurs and non-entrepreneurs (managers), access to resources, institutional and business specific factors, and motives for venturing into an enterprise with limited studies linking the performance of an enterprise with the personal and situational factors. One area that has not received considerable research attention is the focus on the deep psychological antecedents of entrepreneurs and their effects on performance of the enterprise in an emerging economic context. Put differently, there is a need for more research on motivation and cognitive factors as the antecedents of business performance in an emerging economic context with a view to connect the 'micro' level variables of individual entrepreneurs with the 'macro' variables of context (Carsrud & Johnson, 1989). Given this perspective, the study attempts to situate the entrepreneur at the centre of entrepreneurship (Mitchell, Busenitz, *et al.*, 2002; Rauch & Frese, 2007) with a view to understanding what the entrepreneur does, seen through the theoretical lens of what and how (entreprenology) (Fillion, 1998). With such an approach, entrepreneurship can be viewed as: *"... the field that studies entrepreneurs... their activities, characteristics, economic and social effects and the support methods used to facilitate the expression of entrepreneurial activity.*" (my italics) (Fillion, 1998, p. 15). This aligns with the cognitive approach to entrepreneurship that is presently gaining popularity within the domain (Baron, 2004a; Busenitz & Lau, 1996; Krueger, 2003, 2007; Mitchell, Busenitz, *et al.*, 2002; Urban, 2010). This is important since entrepreneurial action is not a linear process (Gollwitzer & Brandstatter, 1997). As critical as intention is to action, it may change due to changing conditions or may never be acted upon or may be poorly executed due to the lack of requisite cognitive properties. This makes a research focusing on deep psychology of individual entrepreneurs, context and business performance a worthy area of enquiry.

To advance our understanding of entrepreneurship in emerging economies (EEs) therefore, scholars have called for studies focusing on the effect of situational and individual factors on the performance of an enterprise and the contingency modelling of such relationships (Gartner, 1989; Low & MacMillan, 1988; Lumpkin & Dess, 1996). In response to such research calls following the criticisms of the traits approach, the current study differs in the following respects. Importantly, cognitive factors such as background knowledge and the skills and abilities that people draw from in the process of opportunity discovery and exploitation, decision-making and behaviour, have not yet received much attention in entrepreneurship literature (Shane *et al.*,

2003). Specifically, the configuration modelling of deep psychological factors (both stable and unstable) of entrepreneurs as antecedents of behaviour that results in enterprise performance in an African emerging economic context gives this study a unique character. This is important because most previous studies in this area are of little help, either because they focus too much on personality traits or place little or no emphasis on outcomes and contexts. The modelling in the current study takes a behavioural approach (Gartner, 1988) with the recognition that a business performance is a product of a person's psychological and situational influences (Shaver, 2003; Shaver & Scott, 1991; Thornton, 1999). This is in line with social cognitive theory (Bandura, 1986, 2001).

### 1.2 Theoretical Background

The theoretical foundation for this study is in the provenance of social cognitive theory (SCT) (Bandura, 2001). SCT is well suited for a study examining relationships among several human characteristics that are contextually bounded. SCT is relevant to analyse motivation, cognitive factors, contexts, including their determinants and effects. SCT is important to entrepreneurial phenomenon, due to its recognition of individual efforts in thinking and acting (as personal agent), acting through someone else (may be employees, bankers and consultants) (proxy agent) and in collaboration with others, either as partners and/or venture capitalist (collective agent). The current study, while acknowledging the three modes of human agency of personal, proxy and collective, focuses on the personal agentic perspective. It assumes that individual entrepreneurs have overall decision-making power in their businesses drawing on the cognitive, motivational, affective, and choice processes to act in the best manner possible to generate desirable outcomes and avoid untoward consequences.

Building on this conceptual foundation, it supposes that entrepreneurship involves human agency. Bandura (2001) argues that the power to originate actions is the most important feature of personal agency. It requires individuals exercising considerable phenomenal and functional consciousness about intentionality and forethought, self-regulation, and self-reflectiveness. Personal agency is therefore a product of social systems as it interactively influences and is being influenced by other social actors. This line of theorising is based on the macro analytical workings of social actors working interdependently within the dynamics of various societal subsystems and their complex interplay (Bandura, 2001). This macro-analytical approach

integrates the microanalysis of the inner workings of the mind in cognitive processing in a causal version.

SCT has been applied widely in cross-cultural studies and in entrepreneurship domains (Luthans *et al.*, 2000; Urban, 2006, 2010). The model of the entrepreneurship process in an African emerging economy proposed in this study uses a macro-analytical perspective of the agentic theory, reinforcing the significant role of human agency in an emerging economic context. This macro-analytical approach indicates that entrepreneurial outcome is analysed in a triadic reciprocal version of behaviour, cognitive factors and environment (Bandura, 1986). It means that individual behavioural antecedents of motivation, cognitive factors and context are interactively related as determinants of each other. Though various constructs and variables are expected to be reciprocally causal, the central role of the entrepreneur in facilitating and activating the process as a human agent is pivotal.

### 1.3 Context of the Study

Small business in South Africa are classified broadly into Micro, Very Small, Small, and Medium according to the National Small Business Act (NSB, 1996) (as amended by the National Small Business Amendment Act of 2003) (NSB, 2003). The Act defines 'small business' in Schedule 1[1] as:

> …a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in Column I of the Schedule.

Broadly, the Act views enterprise as "a separate and distinct business entity". It utilises enterprise size in terms of *Number of Employees*, *Annual Turnover* (in South African Rand), and *Gross Assets* (excluding fixed property). The categories vary depending on the industry. NSB Act, 2004 further refers to small enterprise organisation as:

[1] Please see Appendix 8 for Schedule 1 of NSB Act.

> … entity, whether or not incorporated or registered under any law, consisting mainly of persons carrying on small [business] enterprise concerns in any economic sector… (NSB, 2004).

Table 1.1 gives further details about small enterprise classifications in South Africa.

**Table 1.1: Summary of Small Business Classification in South Africa**

| Employees* | Turnover (SA Rand) | Gross Asset (Excluding Fixed Asset) (SA Rand) |
|---|---|---|
| Micro: 5 | R0.20m | R0.10m across all industry/sector classifications |
| Very Small: 20 | R0.50m to R6m | R0.50m to R2m depending on the sector |
| Small: 50 | R3m to R32m | R1m to R6m depending on the sector |
| Medium: 100-200 | R5m to R64m | R3m to R23m depending on the sector |

Source: adapted from NSB Act (2003). *Total full time equivalent of paid employees (including the owners)

In the apartheid era before 1994 in South Africa, there was no official strategy for the development and promotion of small, medium and micro enterprises (SMMEs). Historically, the economy has largely been dominated by large corporations and the public sector (Herrington, Kew, Simrie, & Turton, 2011). The apartheid policy of segregation and discrimination largely constrained the majority (blacks) from participating in the dominant sectors of the economy, particularly the establishment of small businesses outside "their" domains ("homelands"). The period was therefore more favourable to businesses established by whites relative to other races in the economy such as blacks, coloured, and Asian. In addition, since coloured represents a blend of several racial groups, they resided in special districts, with better living conditions and greater access to the city than blacks (SAIRR, 2007; Steekelenburg, Lauw, Frese, & Visser, 2000). The advent of popular democracy signified the end of the apartheid regime and led to important reforms in the structure of the South African economy with consequences for increasing interest in small businesses which, according to Herrington and colleagues (2011), were born out of necessity rather than opportunity.

To confront some of the emerging challenges in the post-apartheid era, the National Institutional Framework to support the development of the sub-sector was put in place in 1995. It empowered the Small Enterprise Development Agency (SEDA) of the Department of Trade and Industry to implement the National Small Business Strategy (DTI, 2006). Since then, the growth and development of small and micro-enterprises have been on the policy agenda as an important way of addressing unemployment and poverty among the majority of South Africans (DTI, 2006). Specifically, this commitment has been obvious in the supporting legislation. Despite several

initiatives that have been made by the democratic government in the past few years to enhance inclusiveness and the empowerment of previously disadvantaged people, the social, economic and political opportunities remain uneven and inequality is increasing (World Bank, 2009). There are increasing concerns that the environment is still not conducive for entrepreneurship (Bosma, Wennekers, & Amoros, 2012; Herrington, Kew, & Mwanga, 2017) given the increasing challenges of growing unemployment, poverty, increasing crime rates, mistrust and concerns regarding corruption, among others.

Beyond the social and political concerns, the South African economy is in global reckoning as an African emerging economy and, importantly, it is efficiency-driven according to the Global Entrepreneurship Monitor (GEM) report (Bosma *et al.*, 2012). As an efficiency-driven economy, South Africa exhibits increased industrialisation and economies of scale. In such an economy, large firms dominate but with embedded opportunities for small firms to tap into the supply chain niches available in the system. In spite of this recognition and economic status, a trend analysis of South Africa's Total early-stage Entrepreneurial Activity (TEA) shows that the economy has a very low established business rate. In addition, the TEA is noted to be proportionally low when compared with other BRICS[2] economies and efficiency-driven economies (Herrington *et al.*, 2011; Herrington *et al.*, 2017). The TEA index provides an estimate of the proportion of adults between 18-64 years who are actively involved in running a business of three and half years or below or are managing established businesses older than three-and half years.

In spite of the low TEA, several business indicators recognise South Africa as a good business destination, with good ranking in infrastructure, regulatory environment, quality of institutions, intellectual property protection and financial market development (WEF, 2011) with high economic growth potential (OECD, 2012a). Despite a promising and robust growth prognosis, pervasive unemployment, poverty and inequality are widespread among South Africans (World Bank, 2009). Unfortunately, growth may not be a sufficient condition for significant reduction in poverty and inequality. The challenge remains in sustaining the growth, improving inclusiveness within the growth, reducing inequalities and stimulating new venture creation. Poverty is the

[2] Emerging Economies comprise of Brazil, Russia, India, China and South Africa.

most obvious consequence of unemployment. In Africa, the majority (72 per cent) of youths live on less than two USD per day and youth unemployment among South Africans in 2009 was around 48 per cent, compared to 19 per cent for adults (World Bank, 2009) and in 2016, the expanded rate for youth unemployment was over 65 per cent (Herrington *et al.*, 2017). There is a need to harness the abundant human capital currently available in the country for productive engagement. Population dynamics, economic growth and unemployment have embedded entrepreneurial opportunities that require entrepreneurial individuals to discover, evaluate and exploit.

There is strong evidence supporting the influence of national culture on a variety of economic/management behaviour (Hofstede, 2001). This concerns the individual's attitude towards starting a business and the likelihood of choosing entrepreneurship as a career. It also concerns attitude towards success and a willingness to start again after a failure, and the support that is likely to come from family and relatives towards setting up a business (Xavier, Kelly, Kew, Herrington, & Vorderwulbecke, 2012). It is argued that lack of effective participation and integration of the poor in the major institutions in the larger society could be attributable to several factors which may include lack of economic resources, discrimination, fear, suspicion, apathy and the development of local solutions for problems (Lewis, 2003). Also, few studies on Africa indicate that psychological differences (Frese, 2000), race and ethnic factors (Ramachandran & Sha, 1999) are determinants of entrepreneurial activity. South Africa presents an interesting case for theory testing and development. In an economy characterised by dual-logic, one side of the economic sector is highly developed and the other side is barely surviving (Maas & Herrington, 2007). Using a social psychological theoretical paradigm to understand entrepreneurial characteristics in such a multicultural, multiracial and highly dynamic environment with features of both the first and the third worlds will make a significant contribution to literatures on entrepreneurial characteristics in emerging economies.

### 1.4 Problem Statement

A number of researchers have argued on the central role of the '*entrepreneur*' in making venture goals come to fruition (Casson, 1982; Delmar & Wiklund, 2008; Herron & Robinson, 1993; Shane *et al.*, 2003). In spite of this general agreement, meta-analysis on business owners' personality traits point to the need to analyse moderating variables in order to properly account

for the influence of heterogeneity factors (Rauch & Frese, 2007). In addition, the empirical and theoretical understanding of the entrepreneurial motivation and cognitive factors contributing to the performance of an enterprise have been very limited especially from an african emerging economic perspective despite high business and economic potentials occasioned by recent growth (OECD, 2012a). Due to the methodological challenges with research on personality traits (Carsrud & Johnson, 1989; Sexton & Bowman, 1984), scholars have called for more studies on motivation because of the evidence that entrepreneurs in practice do possess certain motivational characteristics that stimulate them into action (Carsrud & Brannback, 2011; Herron & Robinson, 1993; McClelland, 1987).

The application of cognitive science to the field of entrepreneurship reveals why some people and not others choose entrepreneurship as a career (Baron, 2004a), discover opportunities (Shane, 2000), start a business (Shaver & Scott, 1991), grow their business and take strategic decisions (Chrisman *et al.*, 1998), with a view to generating rewarding businesses. On the basis of this development, there have been calls for more studies focusing on the person and not the personality traits (Shaver & Scott, 1991), and application of cognitive factors (Shane *et al.*, 2003) rooted in context (Luthans *et al.*, 2000; Thornton, 1999). In addition, there is a scarcity of contextually bound empirical studies on the depth-psychology of individual entrepreneurs in Africa and a scarcity of research on emerging economies in general (Bruton, Ahlstrom, & Obloj, 2008).

Studies based on data from developed economies vary widely in approach and findings (Berthelot, 2008; Solymossy, 1998). Motivation based studies on depth psychological motives (Hessels, Van Gelderen, & Thurik, 2008) is a well-tested construct in developed economies but not so in emerging and developing economies. Cognitive factors (knowledge, skills and ability) are proposed (Shane *et al.*, 2003) but inadequately tested theoretical constructs in entrepreneurship. In Africa, multidimensional studies of individual entrepreneurs, business and context, based on configuration modeling, are scarce. The main concern of this thesis is that despite South Africa's apparent favourable regulatory environment (World Bank, 2012b), low entrepreneurial activity still persists (Herrington *et al.*, 2011). From an ecological-context perspective, institutional factors such as government policies, political events, cultural norms, among others can shape the macro-economic context within which entrepreneurial processes

occur (Aldrich, 1990). Despite its importance, context cannot create and grow an organisation, only an individual entrepreneur does (Gartner & Carter, 2003). There is strong evidence in the literature supporting the influence of an entrepreneur on the venture start-up process (Gartner, Shaver, Carter, & Reynolds, 2004) and performance (Chandler & Hanks, 1994; Sanberg, 1986).

In general, theories of entrepreneurship that have a one sided deterministic focus on either environmental or personality variables as unique predictors of entrepreneurship have not been very helpful at capturing the dynamics inherent in human action that encompasses the interaction of environmental, cognitive, and behavioural variables (Bandura, 1986). Recent attempts to address factors influencing venture start-up and performance beyond the personality variables have shown the necessity for multidimensional approaches. Multi-dimensional analysis of the motivational and cognitive factors of entrepreneurs and their impact on the performance of an enterprise rooted in context may be more revealing than the knowledge that is presently available about the characteristics of African entrepreneurs. Such relationships remain largely untested in Africa, whereas the multidimensional modelling of entrepreneurs is critical to entrepreneurship, theory development, policy and international business in a continent where entrepreneurship holds much promise.

Specifically, the controversy surrounding whether contextual factors such as social, economic and political variables could produce dissimilar impacts on enterprises or confer dissimilar advantages given the personal characteristics of entrepreneurs, and business variables is yet to be resolved and is largely under-researched in the african context. With a reported low established business rate, high business discontinuance and a generally poor attitude towards business founding among South Africans (Herrington *et al.*, 2011; Xavier *et al.*, 2012), understanding how personal characteristics influence entrepreneurs to do some of the things they do and the resulting outcomes could shed light on why some firms and not others are performing and what lessons could be drawn, given the context in order to promote entrepreneurship among the people. The study is therefore relevant because of the acknowledged role of entrepreneurs in job and wealth creation, productivity enhancement, innovation, increased trade and national income. Understanding the behavioural dynamics (requisite motivation, cognition and supportive environment) of small business owners will promote the development of an entrepreneurial

economy in the medium to long term. The study is therefore relevant in an african emerging economy like South Africa.

### 1.5 Purpose Statement

The purpose of this research is to examine the performance implications of the interactions of individual and contextual factors influencing enterprises run by small business entrepreneurs in the emerging economy of South Africa. The objective is to advance theories of enterprise performance, and personality characteristics in an emerging economic context.

### 1.6 Research Questions

The study seeks to answer the following questions:

a. What relationship does enterprise performance have with factors of entrepreneurial motivation, and cognitive factors in the emerging economy of South Africa?
   Sub questions are:
   i. To what extent do motivational factors of small business entrepreneurs influence enterprise performance?
   ii. To what extent do cognitive factors of small business entrepreneurs influence enterprise performance?
   iii. What impact would the combined influence of motivational and cognitive factors have on enterprise performance?
b. To what extent do economic, socio-cultural and political contextual factors *moderate* the relationship of motivation and cognitive factors on enterprise performance?

### 1.7 Research Objectives

The main objective is to:

Examine the factors influencing the performance of small business enterprises in South Africa.

The specific objectives of the study are to:

i. describe the patterns of enterprise performance among small businesses;
ii. investigate the influence of individual motivational factors on enterprise performance;

iii. investigate the influence of individual cognitive factors on enterprise performance;
iv. examine the joint influence of motivation and cognitive factors on enterprise performance;
v. examine to what extent contextual factors (socio-cultural, political and economic) are significant moderators of enterprise performance.

### 1.8 Definition of Terms

*Configuration Approach*: A modelling approach based on clustering and the interactions of several variables of at least three. This represents alternatives to the universal effect and contingency models (Wiklund & Shepherd, 2005). Configuration is about the simultaneous and interactive considerations of important relational properties of different variables of interest (Andrevski, Brass, & Ferrier, 2013). It is 'any multidimensional constellation of conceptually distinct characteristics that commonly occur together' (Meyer, Tsui, & Hinings, 1993). It is based on contingency theory (Rauch, Wiklund, Lumpkin, & Frese, 2009).

*Cognitive Factors*: Knowledge, skills and ability (KSA) deployed by entrepreneurs in the course of opportunity discovery, evaluation, exploitation and day to day business decision making and actions (Shane *et al.*, 2003), also known as competencies (Baum, Locke, & Smith, 2001, p. 293). Knowledge is information that has its validity established through tests of proof (Liebeskind, 1996). It can be acquired prior to starting and/or while running the business and has characteristics of becoming dated if not updated. Ability is a relatively *stable* broad characteristic of individuals that determines their maximum performance and includes various forms of intelligence and physical attributes, such as strength; while skills connote ability which can be general or specific (Bird, Schjoedt, & Baum, 2012, p. 891).

*Cognitive Biases and Heuristics*: Common types of mental shortcuts used in making judgments (Simon, Houghton, & Aquino, 1999). They are simplifying strategies used by individuals in decision making, especially in uncertain and complex situation. It involves the decision rules, cognitive mechanism and subjective opinions (Busenitz & Barney, 1997). The concept as used in this study illustrates the inherent dynamics involved in business behavior and decision making.

*Cognitive 'Misers'*: Not utilising one's cognitive endowment in such a way that can strengthen the business process decision outcomes. In other words, using it in a miserly way or taking

mental shortcuts whenever feasible (Fiske & Taylor, 1991; Gibcus, Vermeulen, & Radulova, 2008).

*Conjuctional Fallacy*: Being blurred/blind to changing realities arising from insufficient, invalid or irrelevant information. Therefore, hanging on to previous knowledge and experience that add little or no value to positive decision outcomes. It is the tendency to consider specific scenario 'prototypicality of the alternatives', more than the general one (Curseu, Vermeulen, & Bakker, 2008).

*Context*: It is the environment within which behaviors take place and which sets the requirements that link the entrepreneurial behaviors with performance (Herron & Robinson, 1993, p. 287).

*Contingency theory:* The understanding that the relationship between two variables depend on the level of a third variable (Rauch *et al.*, 2009, p. 765).

*Continuous Variable*: 'A scale whose value consists of calibrations that might generate potentially an unlimited number of scale values' (Kent, 2001). The aim is to generate continuous data.

*Emerging Economies*: Developing economies that are increasingly moving towards market orientation and working towards rapid economic advancement (Bruton *et al.*, 2008).

*Eigenvalues*: 'Column sum of squared loadings for a factor; also referred to as the latent root. It represents the amount of variance accounted for by a factor'(Hair, Black, Babin, & Anderson, 2010, p. 92).

*Endogeneous Constructs*: The latent, multi-item equivalent to dependent variables, theoretically determined by factors within the model and dependent on other constructs. This dependence is represented visually by a path (Hair *et al.*, 2010, p. 637).

*Entrepreneurs:* Owner managers of micro, very small, small, and medium scale enterprises with ownership, management and decision-making responsibilities in the business. In South Africa, the NSB Act defines a small enterprise organisation as "… entity, whether or not incorporated or registered under any law, consisting mainly of persons carrying on small [business] enterprise

concerns in any economic sector…". Therefore, entrepreneurs are "..persons carrying on small [business] enterprise concerns in any economic sector..." (NSB, 2004).

*Entrepreneurial Behavior*: All actions relating to initiation and management of allocation and re-allocation of economic resources in the firm with a view to generate performance (Herron & Robinson, 1993). Behavior is assumed in this study to be dependent on the combination of individual motivational and cognitive factors leading to performance but not measured in its discrete units as defined in Bird *et al.* (2012).

*Enterprise Performance*: Performance is defined in this study as business specific financial and non-financial outcomes based on financial, relative, and owners' satisfaction considerations (Berthelot, 2008; Chandler & Hanks, 1993; Solymossy, 1998). Specifically, *financial performance* is measured in five dimensions of; sales growth, cash flow, market share, net profit and total sales (Chandler & Hanks, 1993). *Relative performance* is the performance of the firm in comparison with competing businesses in the same industry, age and stage of development (Arend, 2012; Chandler & Hanks, 1993). *Satisfaction with performance* measures the personal performance satisfaction of the entrepreneurs with specific or general outcome of their entrepreneurial endeavor (Chandler & Hanks, 1993; Cooper & Artz, 1995). Satisfaction with performance relates to individual entrepreneurs, financial outcome is firm specific (Murphy & Callaway, 2004) and relative is industry specific.

*Exogeneous Constructs*: The latent, multi-item equivalent to independent variables, theoretically determined by factors outside the model and not explained by any other construct or variable in the model, thus the term independent. They use a variate of measures to represent the construct that acts as an independent variable in the model (Hair *et al.*, 2010).

*Manifest Variable*: Observed value for a specific item or question. They are used as the indicators of latent constructs (Hair *et al.*, 2010).

*Metros*: The three metropolitan cities (Cape Town, Durban and Johannesburg) ranked among the top five in South Africa in terms of GDP per capita, employment and economic performance (Parilla, Trujillo, Berube, & Ran, 2015).

*Moderator Effect*: 'Effect in which a third independent variable (the moderator variable) causes the relationship between a dependent/independent variable pair to change, depending on the value of the moderator variable. It is also known as an interactive effect and is similar to the interaction effect seen in analysis of variance methods' (Hair *et al.*, 2010, p. 158).

*Paradigm*: It 'is a way of examining social phenomena from which particular understandings of these phenomena can be gained and explanations attempted.' (Saunders, Lewis, & Thornhill, 2012, p. 141).

*Triangulation*: Involves the use of different kinds of measures or perspectives to increase the confidence in the accuracy of observations (Easterby-Smith, Thorpe, & Jackson, 2015). In this study, qualitative findings reinforce the quantitative results.

*Variable*: 'A characteristic that varies at a minimum between two scale values. In a survey, it is a dimension that respondents are responding about' (Kent, 2001, p. 246).

### 1.9 Significance of the Study

Countries are constantly seeking ways of stimulating venture survival and arresting the threatening situation of high business mortality and low start-up rates (OECD, 2012b). Understanding motivational and cognitive characteristics that make people do what they do could be an important step towards increasing enterprise performance. Given the gaps in the literature, this study makes the following contributions in the sub-field of entrepreneurial behaviour:

- Controversies surrounding why some business owners, given the same socio-economic-political context, are more successful than others are yet to be resolved and existing research has largely been based on Western Europe and the United States (US).
- Empirical studies interactively linking cognitive factors (knowledge, skill and ability) with motivation factors and enterprise performance in Africa are not widespread. The structural modelling of these relationships is a significant improvement over direct effects modelling.
- Evaluating the moderating influence of context (socio-cultural, political and economic) within a contingency modelling (interaction terms) reveals in part the dynamic influence of context in an emerging economy.

- The research approach using quantitative and qualitative methods of data collection serves as a benchmark for further studies in the domains of entrepreneurial behaviour and enterprise performance in Africa.
- Multidimensional performance indicators of financial, relative and performance satisfaction may be more revealing instead of a bundled view of performance in a diverse context like South Africa.
- The research findings address factors and correlates of enterprise performance in South Africa. Entrepreneurs are better informed and guided on individual and contextual factors that can support their performance aspirations.
- A more precisely targeted business development along with proper support services, curriculum development, capacity building interventions and policy formulation that address the specific needs of individual entrepreneurs by policy makers, educators, consultants, trainers, venture capitalists and bankers can be achieved.

## 1.10 Chapter Conclusion

The chapter draws from existing literature on personality characteristics, both theoretically and empirically, and argues that existing studies offer limited empirical investigation of the multidimensional research approach involving individual characteristics in an Africa emerging market environment. It emphasises the need for a more sophisticated model that addresses cross-level responsiveness involving the business owners' motivational and cognitive factors, business performance and the relevant institutional contextual variables. The need to address the research gap is highlighted.

Further, the chapter sets the tone for the entire research by presenting the theoretical background within the provenance of the social cognitive theory (SCT), using agentic perspective as the foundation on which the research draws its relevance and conceptual framework. Also presented are some details about the South African context where the research was conducted, the purpose of the research, the research questions, objectives of the research, definitions of some key terms, as well as the significance of the study.

# CHAPTER TWO

# INDIVIDUAL CHARACTERISTICS, CONTEXT AND ENTERPRISE PERFORMANCE: A MULTIDIMENSIONAL PERSPECTIVE

## 2.1 Introduction

Entrepreneurs have been viewed differently among scholars. Despite recognising that there are differences, their role as the principal actors in the entrepreneurship process is widely acknowledged (Carland, Hoy, Boulton, & Carland, 1984; Gartner, 1988; Shane *et al.*, 2003; Shane & Venkataraman, 2000). Narrative writers and entrepreneurship researchers agree that entrepreneurship occurs where there are individuals that are committed to nurturing enterprises within a suitable environment, though there are differing views on both the characteristics of individual entrepreneurs and what best constitutes a 'suitable' environment for certain categories of entrepreneurs given their peculiar characteristics. Even as the evidence supporting job creation and the economic growth potential of enterprises mounts (Autio, 2007; Morris, 2011), little research exists concerning the context-induced characteristics of individuals leading to successful enterprise performance. Expectedly, performance-oriented businesses are best run by enterprising individuals with motivation, cognitive capabilities and a coherent strategy to drive the business to success given some specific contextual influences. Entrepreneurs activate the process of entrepreneurship because they have the motivation and cognition to do so (Baron, 2004a; Shane, 2000; Shane *et al.*, 2003).

Entrepreneurs' personal characteristics and contextual contingencies are complementary in starting up and running small business enterprises. While a cognitive perspective appears salient in understanding performance differences amongst entrepreneurs as previous research has shown, its interacting effects with motivation and contextual conditions, requires detailed empirical study. Understanding such differences is important for the advancement of theory related to entrepreneurial characteristics (behaviour) in emerging economies. It is also important to join growing voices advocating for making the entrepreneurs the central focus of research in entrepreneurship. The conceptual assumption is that what entrepreneurs do or fail to do will impact venture outcome (Hofer & Sandberg, 1987) and in particular what is expressed as behaviour (action) leading to performance depends largely on motivation and cognitive factors (Shane *et al.*, 2003).

Learning about individuals who create and manage small ventures could be an important step to understanding and advancing knowledge about entrepreneurs as both the founders and the business organisations are inextricably bound (Carland *et al.*, 1988) and the performance of the business can be equated to that of the founder (Chandler & Hanks, 1994). Evidence supporting the collective influence of individuals and institutional factors on enterprise performance in an emerging economic context is still unclear. The thesis seeks to address this question in line with the cognitive perspective in the domain. The conceptual foundation has its root in social cognitive theory (SCT) (Bandura, 1986, 2001). The following sections expatiate further on these issues.

## 2.2 Perspectives on Entrepreneur Personal Characteristics

### 2.2.1 Trait Approach

Up until the early 1980s, most of the studies aimed at understanding the characteristics of entrepreneurs focused on their personality traits. Traits are viewed by psychologists as *enduring*, *stable* and *unique* characteristics of individuals that make them behave in a consistent way regardless of the situation. The trait approach either classifies entrepreneurs using traits that they have compared with the rest of the population, especially non-entrepreneurs (such as managers), or predicts business performance using specific traits among entrepreneurs (Herron & Robinson, 1993, p. 282). The traits approach rests on several assumptions that seem to characterise entrepreneurs using broad and specific traits (stable assumptions) with a view to distinguishing them among or across subjects. It emphasises the internal determinants of behaviour. Individuals that exhibit certain traits are more likely to be labelled as having the characteristics of 'entrepreneurs' (compared with managers) or 'successful' (compared with unsuccessful others) based on situational generality. However, several important limitations of this research approach have been identified (Brockhaus, 1982; Carsrud & Johnson, 1989; Johnson, 1990; Sexton & Bowman, 1984).

Personality traits in psychology literature are classified into broad and narrow/specific traits (Barrick & Mount, 2005). The big 'five' traits of conscientiousness, openness to experience, neuroticism, agreeableness, and extraversion are regarded as the broad traits with benefits of concisely organising varieties of specific traits into smaller sets of relationship (Zhao & Seibert,

2006). Narrow/specific traits include needs for achievement, risk taking propensity and others. Some psychologists argue that broad traits are better predictors of job related performance than the more specific traits, because specific traits have low reliabilities and sampling error that can confound the emergence of true relationship identifiers (Rauch & Frese, 2007; Zhao & Seibert, 2006). Some other authors argue in favour of the narrow traits due to their explicit description and relevance in time, place or role (Barrick & Mount, 2005). Also, task specific motivational characteristics such as self–achievement, risk avoidance, feedback of results, personal innovation and planning for the future have been developed in the domain (Miner, Smith, & Bracker, 1992) following McClelland's needs for achievement. Fillion (1998, p. 5) observes that the behaviourists (described as psychologists, psychoanalysts, sociologists and other specialists of human behaviour) dominated the field of entrepreneurship for 20 years after McClelland (1961) published his influential classic: *The Achieving Society*. In these two decades of searching for the definition of entrepreneurs and their characteristics ('*unique*' personality traits), thousands of publications focusing on several characteristics of entrepreneurs were published.

Broad and specific characteristics are not in themselves the primary sources of problem in the trait approach, but the assumption of *stability* in these traits and the failure to reliably differentiate successful from unsuccessful entrepreneurs and entrepreneurs from non-entrepreneurs (managers). Bandura (1986) observes that traits theorists are more concerned with assessing personality traits than testing how dispositions generate behaviour and motivate and guide it. Whereas there is increasing evidence supporting personality differences among entrepreneurs according to their venture aspirational goals (Stewart Jr & Roth, 2001) and dispositional variation in different entrepreneurial types (Stewart Jr & Roth, 2007). Several possible reasons for researchers' inability to successfully adapt psychological theories in the entrepreneurship domain include assumptions of stable characteristics, poor application of knowledge, confusion of levels of analysis and lack of systematic research according to Carsrud & Johnson (1989, pp. 21-22). In addition, small statistical relationships are often difficult to detect and usually masked by very many non-significant findings (Rauch & Frese, 2007, p. 356) especially when the sample size is small and the research design is cross sectional (Gartner, 1989; Zhao & Seibert, 2006).

Hogan (2005) argues that traits theorists are guilty of psychological reductionism as they attempt to explain what happens at one phenomenon level in terms of phenomenon at the next lower level of analysis. In this regard behaviours are assumed to be caused (and explained) by underlying "neuropsychic structures". In doing so, reductionism has removed key important characteristics about personality such as generalisations about human nature and individual differences. In advancing this position, Hogan submits that there is a difference between description and explanation, and traits theorists ignore the distinction. We describe other peoples' behaviour with traits words, but we explain their behaviour in terms of what they are trying to accomplish (Hogan, 2005, p. 335). According to Utsch & Rauch (2000), most traits investigated in entrepreneurship research are either not linked to entrepreneurial situation or task.

While some narrative reviewers are calling for outright abandonment of the trait research (Aldrich, 1990; Gartner, 1988), some others favour its continuance by addressing issues surrounding inconsistencies and contradictory conclusions regarding variations in measurement, definitions of an entrepreneur and sample selections (Gartner, 1989; Johnson, 1990; Stewart Jr & Roth, 2007). Possessing some of these traits may be highly desirable in any field of human endeavours as much as they are required in small business, but not all the characteristics may be required to attain predictable enterprise performance/success. According to Utsch & Rauch (2000), a high achievement orientation/disposition is more likely to influence entrepreneurs in being innovative, though may not be sufficient for success. However, need for achievement, innovativeness, generalised self-efficacy, stress tolerance, need for autonomy and pro-active personality are found to correlate well with entrepreneurial behaviour such as business creation and business success (Rauch & Frese, 2007). These findings, among similar others, are key pointers to the influencing role of personality factors both at start-up and in the running of successful enterprises.

Brockhaus (1982), while acknowledging characteristics such as need for achievement, locus of control beliefs, risk-taking propensity and personal values, observes that research could not allow causal connection to be specified between these psychological traits and entrepreneurial success (Brockhaus, 1982, p. 50), due to assumptions of stable characteristics and lack of longitudinal studies (Carsrud & Johnson, 1989). Also, Gartner (1989, p. 27) asserts, perhaps unequivocally, the need for a paradigm shift from trait to behavioural approach in the following words:

> In behavioral approaches to the study of entrepreneurship an entrepreneur is seen as a set of activities involved in organization creation, while in trait approaches an entrepreneur is a set of personality traits and characteristics. …trait approaches have been unfruitful and that behavioral approaches will be a more productive perspective for future research in entrepreneurship.

Although the results from traits oriented studies might have been incongruent or not statistically significant to allow for easy identification of potential entrepreneurs or predict future behaviour of entrepreneurs with some degree of certainty, given the lack of empirical comparisons and generalisability across studies, there are at least pointers to some traits, skills and competencies for individuals to fit well into entrepreneurial roles (Baum, Bird, & Singh, 2011; Baum & Locke, 2004; Baum *et al.*, 2001; Begley & Boyd, 1987; Chandler & Jansen, 1992). Key meta-analyses on broad and specific traits support the relevance of personality traits in entrepreneurship (Collins, Hanges, & Locke, 2004; Stewart Jr & Roth, 2001; Stewart Jr & Roth, 2007; Zhao & Seibert, 2006). Carsrud & Brannback (2011) submit that personality traits, though not unique to entrepreneurs, could be a way to understand entrepreneurial behaviour. Some of these ideas provide important background towards understanding the behavioural approach that lays the foundation for the current study in an emerging economic context.

### 2.2.2 Behavioural Approach

The behavioural approach is embraced as an alternative way of assessing entrepreneurial characteristics due to the absence of an agreed empirical linkage of '*unique*' traits to entrepreneurs and success using the trait approach. David McClelland is credited with having introduced the behavioural sciences to entrepreneurship at a time when economists could not come to terms with non-quantifiable models to advance the science of entrepreneurship (entrepreneurial behaviour) (Fillion, 1998). Though criticised for not making a direct connection between the need for achievement and business ownership, and/or success (Brockhaus, 1982), his work was a pioneering effort in a behavioural scientific approach to entrepreneurship with a broad attempt to understand psychological characteristics such as the 'need for achievement' (nAch) (McClelland, 1961). The need for achievement is unidimensional in approach but further development in the field has conceptually extended McClelland's initial thesis multidimensionally (Carsrud & Johnson, 1989; Johnson, 1990; Miner *et al.*, 1992). In Carsrud &

Johnson (1989) view, many researchers have often made simplistic assumptions between personality traits and social behaviours (p. 22). Using the example of achievement motivation, Carsrud & Johnson (1998) assert that achievement motivation alone is not sufficient to explain the drive to become an entrepreneur, but rather it should be interpreted as possessing a general causal effect on any type of performance success.

While the debates on 'who is an entrepreneur?' appear unsettling (Carland *et al.*, 1988; Gartner, 1988), there is a general consensus among scholars on the behavioural approach to entrepreneurship (Carsrud & Johnson, 1989; Davidsson, 2008; Gartner, 1989; Shane *et al.*, 2003; Shane & Venkataraman, 2000). Though there is wide variation in the measurement of behaviour in the literature, there exists some consensus that behaviour manifests when motivation and cognitive factors interact (Baum *et al.*, 2011; Baum & Locke, 2004; Cools, 2008; Herron & Robinson, 1993; Locke, 2000) and all activities geared towards starting and making business successful are behavioural (Rauch & Frese, 2007). Therefore, the behavioural definition of entrepreneurs revolves around ownership (founding), active involvement in the day-to-day management and/or expressed intention to do so (Stewart Jr & Roth, 2001). The quality of the interacting characteristics determines, the quality of outcome variables manifesting as entrepreneurial behaviour and as business performance. This development has led to wide conceptual and empirical investigations of the psychological characteristics of entrepreneurs such as the need for achievement (Begley & Boyd, 1987; Johnson, 1990; Stewart Jr, Watson, Carland, & Carland, 1999), locus of control (Schjoedt & Shaver, 2012), tolerance for ambiguity (Begley & Boyd, 1987), risk taking propensity (Brockhaus, 1980b; Miner & Raju, 2004; Stewart Jr & Roth, 2001, 2004), general and specific self-efficacy (Bandura, 1997; Chen, Greene, & Crick, 1998; Chen, Gully, & Eden, 2001; Urban, 2006, 2012), core evaluation (Shane, 2003), cognitive factors (Grégoire, Barr, & Shepherd, 2010; Shane *et al.*, 2003) among others.

Other complementary non-psychological factors prominent in the literature that can influence entrepreneurial behaviour include variables such as education, career experience, business experience, age, social position, opportunity cost (Baron, 2004a; Brockhaus, 1982; Davidsson, 1991; Davidsson & Honig, 2003; Shane, 2003), existence of opportunity (Shane & Venkataraman, 2000), the influence of network, role models and spouse (Bosma, Hessels, Schutjens, Praag, & Verheul, 2011; Davidsson & Honig, 2003; Janney & Dess, 2006),

independence, drive (willingness) and egoistic passion (Shane *et al.*, 2003). These factors and relevant empirical findings point to the fact that individuals matter in entrepreneurship (Rauch & Frese, 2007; Stewart Jr & Roth, 2007; Zhao & Seibert, 2006). The trait approach is largely criticised for its lack of acknowledgment of the contextual factors.

Furthermore, Bird & Schjoedt (2009) assert that economic value is realised only when entrepreneurs *behave* or *act* in observable and learnable manner that involves inherently interpersonal and social interactions. It is only through action that venture is created and sustained; while intention is a precursor to behaviour, it is not behaviour. Since personality traits of entrepreneurs lack clear definitions and comparable samples, it has made it somewhat difficult to clearly define entrepreneur and entrepreneurship. However, given the behavioural approach in the current study, entrepreneurship is

> …the field that studies entrepreneurs. It examines their activities, characteristics, economic, and social effects and the support methods used to facilitate the expression of entrepreneurial activity
>
> (Fillion, 1998, p. 15).

In this instance, entrepreneurs are viewed as social beings since behaviour is a dynamic ever-changing process that reflects also the environmental context in which entrepreneurs live. The process also manifests in the type of business activities the entrepreneurs embark upon, how the entrepreneurs run their businesses and the outcomes they obtain. Individuals are expected to adopt various behavioural approaches to realise their business objectives within their operational context.

By incorporating contextual factors into the characteristics of entrepreneurs, it becomes possible to link the characteristics of entrepreneurs with the relative factors that bring about the outcome. Therefore the behavioural approach brought relief to researchers after two decades of searching for *enduring* characteristics of entrepreneurs (Brockhaus, 1982). It extends research into understanding the *why* and *how* some individuals and not others are entrepreneurs, including their relative success. Some of these contributions to the research on entrepreneurs' characteristics laid the foundation for further development in the field into multidimensional perspectives credited to Gartner (1984) according to Solymossy (1998, p. 34). Other scholars

have since made important contributions (Baum & Locke, 2004; Baum *et al.*, 2001; Carsrud & Johnson, 1989; Davidsson, 1991; Gartner, 1989; Shane *et al.*, 2003; Solymossy, 1998). This perspective seeks to understand what entrepreneurs do, their capability to do what they do, and the context that best supports their behaviour and outcomes without attributing both the actions and outcomes exclusively to personal characteristics. Therefore, the power of personality traits to predict certain behaviour is enhanced when there is a fit between the personality characteristics and the context in which the behaviour is taking place.

Because specific personality traits are important to make entrepreneurship an easy path, entrepreneurs aspiring to succeed in business need to possess some traits based on the findings from previous studies. For instance, being innovative, tolerance of stress and a proactive personality are necessary traits for business founding and success according to Rauch & Frese (2007). The same innovative trait may act as a mediator between achievement orientation (motivation) and venture performance (Utsch & Rauch, 2000). For instance, a trait (such as innovativeness) can assume different status, directly and indirectly influencing outcomes. It is expected that business owners with an innovative personality trait may have a high need for achievement (nAch) and such traits are expected to aid their personal growth, increase satisfaction, improve group cohesion and improve inter-personal communication (Utsch & Rauch, 2000, p. 58). While Rauch & Frese (2007) found that individuals with high nAch are very likely to be tolerant of stress because the trait is matched to entrepreneurship. Begley & Boyd (1987) argue that excessive tolerance of ambiguity may portend poor leadership by not taking proper control of situational events that can impair performances.

With a multidimensional perspective, the research gate for understanding individual behaviour beyond the traits approach is opened and researchers are able to isolate causative factors instead of focusing on the unique characteristics because entrepreneurial behaviour may indeed be context-specific as much as they depend on individuals (Carsrud & Johnson, 1989; Gartner, 1989). This allows performance prediction to be made possible for policy makers and scholars with consequences for demonstrating that people performing an entrepreneurial role can indeed be different across and among samples (Brockhaus & Horwitz, 1986; Busenitz & Barney, 1997; Carland *et al.*, 1984; Carsrud & Brannback, 2009; Carsrud & Olm, 1986; Gaglio, 2004). Indeed, development of new models and theories into the person-environmental fit (Brigham, De Castro,

& Shepherd, 2007) and the person-entrepreneurship fit (Markman & Baron, 2003) are becoming prominent in academic discourses and empirical studies. While the current study views entrepreneurs from a multidimensional perspective, the configurational approach is behavioural with a view to generating a clear empirical understanding of the interactions of motivation, cognition and context using the theoretical lens of social cognitive theory (SCT) in an emerging economic context.

### 2.3 Agentic and Social Cognitive Theories

Social Cognitive Theory (SCT) views human beings functioning within a triadic reciprocal relationship where behaviour, cognitive factors and environmental variables interactively operate as determinants of each other (Bandura, 1986, p. 18). Within the broad spectrum of social-structural influences, human beings are able to function with agentic capabilities (Bandura, 2001). Bandura (1997) notes that an agent exerts self-influence in executing courses of action. Therefore to be an agent is to deliberately act or execute (Bandura, 2001) because people have influence over what they do and entrepreneurs are not different in this regard. The term reciprocal indicates interacting actions between causal factors (Bandura, 1986). Though being causally reciprocal does not mean uniformity in the strength of directional influences, there could be variations in the relative influences of the three sets of interacting factors depending on differences in activities, individuals and circumstances. In this instance, SCT seeks to overcome problems associated with one-sided deterministic models. The triadic reciprocal causation views human behaviour as neither automatically engineered within nor externally stimulated.

Bandura (1986) argues that human nature can be defined within the perspective of triadic reciprocality through the analysis of several basic capabilities such as: symbolising, forethought, vicarious, self-regulatory and self-reflective capabilities. In the current researcher's view, these basic capabilities can be applied to entrepreneurs. People sometimes draw on symbols to generate experience and actions (symbolising capability), though thoughts depend on reasoning skills and not all thoughts are objectively rational as they may not be well developed and can lead to different outcomes. The capability for fore-thought as applicable to entrepreneurial behaviour is premised on the notion of intentional and purposive actions. While future events cannot determine present behaviour, their cognitive representation in the present through the acquisition of causal efficacy could stimulate entrepreneurs into action (forethought capability).

Entrepreneurs like any other individuals do learn by observation. They acquire vicarious capabilities that help in developing complex skills through modelling. While entrepreneurial behaviour is about action, vicarious learning can minimise the consequences of error and mistakes that could accompany lack of experience and skills (vicarious capability). Also, while the environment can influence what people do; human beings have capability to influence the outcome by the choices they make through self-regulation (self-regulating capability). Equally important according to Bandura is the capability to reflect and think distinctively. It is important that entrepreneurs have such capabilities because reflection will enable entrepreneurs not just to gain understanding, they are also able to evaluate and alter their thinking and this influences the quality of the actual outcome. The capabilities to analyse experience and think also make entrepreneurial endeavour a worthy course and it is fundamental to confidence building, perseverance and the quality of outcome (self-reflective capability). Importantly, from an agentic perspective, it is the same person doing both the thinking and evaluation of the knowledge, thinking skills and actions involved in the tasks.

With the SCT, mechanism for performance concerning the structure and operation of thought becomes manifest as compared with psychodynamic and traits models. The ability of human beings as knowers, performers, and as self-reactors with capacity for self-direction is recognised. Individuals are neither driven by inner forces nor automatically shaped and controlled by external stimuli (Bandura, 1986, p. 18). This theoretical perspective when applied to entrepreneurship would probably explain and reinforce the critical role of the entrepreneur in enacting the vision, initiating the emergence and performance of ventures (Baum & Locke, 2004; Chandler & Hanks, 1994; Collins *et al.*, 2004; Gartner, 1988; Shane, 2000; Shaver & Scott, 1991). Three levels of analysis can explain the relationship of entrepreneurs to business performance, they are individual, business and environment. This is because the founder's vision and goals are synonymous with the goal of the business and the performance of the enterprise is a measure of the performance of the founder according to Chandler & Hanks (1994). Also, new ventures are prone to contextual shocks and unlikely to perform beyond what the founder envisioned. With these lines of thought, Chandler & Hanks, (1994) conclude that performances in small firms can indeed be taken as performances of their founders. Therefore, understanding psychological disposition is relevant as long as it allows for the prediction of behaviours that generate specific outcomes (Johnson, 1990).

Since entrepreneurial action (behaviour) is what brings the actual value to society (Stevenson & Jarillo, 1990), the influence of entrepreneurs, given their competence, leadership behaviour in generating business performance is empirically established (Chandler & Hanks, 1994; Hmieleski & Ensley, 2007). Organisational outcomes can be predicted by managerial background characteristics (Hambrick & Mason, 1984). However, contrary to a widely held view about personality; Stuart & Abetti (1990) findings indicate that personality may not be that important for the success of an enterprise, the same applies for previous experience in management, and technical roles. The best way to learn about making a company successful is to work in it, or better to run a new firm because such time spent in running new firms may be highly valuable to the firm's success than time spent acquiring higher degrees or working in large firms trying to gain experience. On the contrary, Berthelot (2008) finding indicates that entrepreneurial personality leads to higher levels of performance satisfaction. A number of longitudinal studies have also confirmed the relevance of previous learning and intelligence (Baum & Bird, 2010; Baum *et al.*, 2011); and entrepreneurial traits, skills and motivation (Baum & Locke, 2004) to venture growth.

Though research associating certain specific characteristics to entrepreneurs has been inconclusive and equivocal (Sexton & Bowman, 1984), many scholars (Carsrud & Brannback, 2011; Gartner & Carter, 2003; Herron & Robinson, 1993; Johnson, 1990; Krueger, 2003) have argued that entrepreneurs still have certain characteristics, though they may not be unique to them, that make them do things the way they do, especially as they relate to opportunity identification and exploitation. Markman & Baron (2003) argue conceptually that the higher the magnitude of distinct individual characteristics possessed by entrepreneurs, the closer the person–entrepreneurship fit and, by extension, the greater the possibility or magnitude of their success. Building on these conceptual foundations, it will be relevant to assume that an entrepreneur is the human agent that facilitates entrepreneurship (Gartner, 1988). The entire entrepreneurial process unfolds because individual entrepreneurs act and are motivated to pursue identified opportunities (Shane *et al.*, 2003; Urban, 2011).

Few studies lend credence to the fact that because some entrepreneurs have greater skills and motivation to act entrepreneurially than others they tend to generate different outcomes (Baron, 2004a; Baum & Locke, 2004; Krueger, 2007; Shane *et al.*, 2003). Findings by Grégoire *et al.*

(2010) indicate that the correct recognition of opportunities requires that different kinds of mental connections play different roles with different consequences and in doing so prior knowledge may facilitate the process. This study demonstrates the relevance of cognitive factors in opportunity recognition and this goes to confirm why some individuals can recognise opportunities where others could not. Personal characteristics of the decision maker are found to influence the decision outcome in small firms (Brouthers, Andriessen, & Nicolaes, 1998). In the same vein, since many decisions in small firms depend largely on the human factor (Chandler & Hanks, 1994; Kozan, Oksoy, & Ozsoy, 2006), the founder's ability to mobilise and manage resources determines whether the resources will lead to good business performance (Chandler & Hanks, 1994). As Forbes (1999) puts it, managerial cognitive effects are likely to have direct and immediate impacts on small firms rather than in larger organisations. This indicates the important role of entrepreneurs in small firms and the relevance of psychological factors in shaping entrepreneurial behaviour.

In addition, favourable context enhances the likelihood that more people will embrace entrepreneurship as a career choice and can grow their businesses. Countries with the right kind of contextual fit are very likely to experience more entrepreneurial activities. It is therefore imperative for entrepreneurs to recognise how contextual variables interact to influence their decisions at enterprise level and their outcomes. Recognising that entrepreneurial decisions are influenced by a variety of contextual variables (internal and external to the business) justifies the need to appreciate the interactions of the individual, business, and contextual factors as a worthy area of enquiry. The SCT, as conceptualised by Bandura, has two portions: the social aspect acknowledges the social origins of human thought and action, while the cognitive portion is about the influential causal contribution of thought processes to human motivation, affect and action.

The triadic reciprocal model for the SCT that supports this study and was adapted from Bandura (1986) is depicted in Figure 1 below:

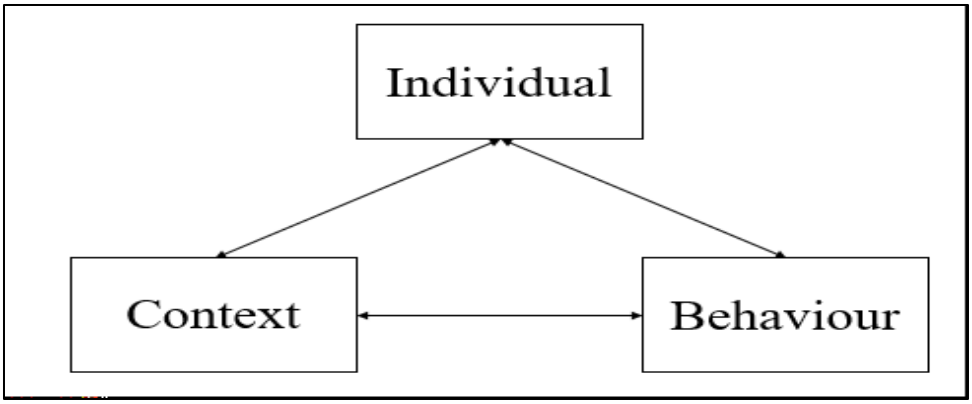



**Figure 1: Model of Social Cognitive Theory framework for the research (Bandura, 1986)**

The theoretical model links individual, behaviour and context in a reciprocal manner. Though depicted as bidirectional, reciprocality is not equivalent to simultaneous influences. The mutual influences and reciprocal effects do not have to occur at the same time, in the same manner and direction. Such theoretical modelling is well suited for the study of entrepreneurial motivation, cognition and context involving both stable and unstable behavioural and cognitive factors. For instance, in risk-taking decision making, the behaviour that manifests in a risk-taking propensity requires that entrepreneurs would engage motivational and cognitive factors given specific contextual considerations. The SCT model, as applied in this study, requires that individuals engage their motivation and cognitive properties to generate the desired behaviour. Also, having knowledge, skill and ability (KSA) can influence the manner, quality and outcome of behaviour in a given context because individuals are differently endowed. In addition, context can provide the opportunity to utilise KSA that manifests in behaviour.

Entrepreneurship, as defined in this study, recognises that the power to make things happen lies with the entrepreneur as distinct from the mechanics of making things happen that are beyond the control of human beings. Therefore, peoples' understanding and beliefs about their own capabilities propel them to generate courses of action that activate and facilitate. Understanding the functional dependence between events will shed further light on the nature of human agency (Bandura, 1997).

## 2.4 Motivation in Psychology and Entrepreneurship

### 2.4.1 Motivation in Psychology

The mature discipline of Psychology provides a rich foundation for entrepreneurship in the study of entrepreneurial motivation. The field of entrepreneurship has benefited greatly from psychological concepts and models that are now being applied in the domain. Most psychological theories of motivation have their foundation in the principles of *hedonism*. This relates to individual goals of seeking pleasure and avoiding pain. The principle assumes that individuals intentionally evaluate/consider behavioural alternatives before making decisions and act to maximise positive results while minimising negative outcomes. In that regard, individuals engage in some form of '*hedonic calculus*' credited to early Greek Philosopher Bentham (1789). Such calculation guides the courses of action. The principles of hedonistic perspective have been largely criticised for lack of clear empirical content and the inability to predict behaviour in advance (Porter, Bigley, & Steers, 2003, p. 3).

Further development in the field of personality psychology led to the psychological approaches of *instinct* and *unconscious* motivation by Freud (1915), James (1890), and McDougall (1908) cited in Porter *et al.* (2003). McDougall (1908) views instinct as innate psychological disposition, purposive and goal directed that determines the manner of individual behaviour. Therefore, individuals are seen to possess automatic predispositions to behave in certain ways, depending on internal and external cues/influences that trigger the experience of emotional excitement. Unconscious motivation, popularised by Freud (1949) posits that individuals are not always in total awareness of what they need and desire but rather motivated by forces outside their direct influence/control. Shortcomings associated with these motivations, according to Porter *et al.* (2003, pp. 3-4), include: The list of instincts grew to a disturbingly large number, instinct theory could not account for differences in individual motivational dispositions, inability to establish a strong relationship between the strength of certain motives and subsequent behaviour and confusion about whether unconscious motives were actually instinctive or learned behaviour.

Given these criticisms, the *drive* theories evolved. Hull (1943) formulation largely based on the idea that it is a 'need' and not an instinct that acts as an 'impetus to respond' by the organism. In

order to off-set a psychological deficit or need, there will be stimulus to respond (habits). The multiplicative function of the drive to off-set a need and the strength of response (habits) forms the behaviour. In its further conceptualisation, incentive was added to the multiplicative relationship of drive and habit as properties of the goal. Therefore, both the size and the potential for rewards stimulate motivation (Hull, 1952). In addition, drive theory assumes that previous learning influences present behaviours, and according to Allport (1954), they are likened to previous theories of hedonism. In other words, the present behaviours are largely influenced by the consequences, or rewards of past behaviours. If past actions produced positive outcomes, individuals would most likely repeat such actions and the reverse holds when actions result in negative consequences. As a theory that emphasises an internal state as a necessary variable that produces an effort, several empirical findings on drive theory point to some outcomes regarding drive as an energiser of behaviour, a multiplicative relationship of drive and habit and a source of pooled energy (Graham & Weiner, 1996).

On the other hand, the *reinforcement* model (Skinner, 1953) places emphasis on the consequences of behaviour. It ignores the inner state of individuals and focuses solely on the consequences of action taken on the individual (positive or negative). Porter *et al.* (2003, p. 6) argue that reinforcement theory ignores what energises or initiates behaviour but provides a powerful means of analysing what controls behaviour. While the limitations are acknowledged, drive theories made it possible for researchers to test theories that were not possible empirically with the earlier theories of hedonism and instinct. Both *drive* and *reinforcement* theories are examples of content theories.

Furthermore, other prominent content theories in the literature include *Maslow's Hierarchy of Needs (MHN)* (sequentially activated needs), *Alderfer's Existence-Relatedness-Growth (ERG) theory* (more than one need may be operative in a given individual at any point in time as against Maslow's sequential/hierarchical fulfilment of needs), *Herzberg's Motivator-Hygiene (HMH) theory* (a two-factor theory of 'motivators' and 'hygiene'), *McClelland's learned needs (MLN) theory* (a departure from other theories, views needs as socially acquired attributes of the individual rather than as innate psychological characteristics). In addition, Porter *et al.* (2003) view motivation from three important dimensions: what energises humans, what directs or channels such behaviour, and how this behaviour is maintained or sustained.

Content theories have been largely instrumental to the development of later theories but with significant shortcomings (especially its conceptualisation of behaviour as the product of innate psychological characteristics). On the other hand, process theories offer more promising and powerful tools for understanding behaviour beyond needs, instinct, drive and unconsciousness but rather from a human decision-making process involving the wide application of cognitive factors and outcomes (such as performance, success and growth).

### 2.4.2 Motivation in Entrepreneurship

The study of motivation in entrepreneurship is still developing. While research in entrepreneurial motivation has benefited from advanced disciplines such as management, psychology and organisational behaviour, it has carried with it a number of limitations regarding methodology and the application of knowledge in the domain of entrepreneurship (Carsrud & Johnson, 1989; Gartner, 1989). Despite these shortcomings, motivation is acknowledged as an important component of entrepreneurial behaviour and, by extension, performance/success (Carsrud & Brannback, 2011; Herron & Robinson, 1993). The McClelland's learned needs (MLN) theory (the need for achievement (nAch), the need for power (nPow), the need for affiliation (nAff), and the need for autonomy (nAut)) lays the foundation for the behavioural approach to entrepreneurial motivation as we have it today (McClelland, 1961). MLN theory contends that individuals acquire needs from the culture of a society by learning from the events that they experience, particularly in the early stages in life. Once learned, these needs may be regarded as personal predispositions that affect the way people perceive situations and that influence their pursuit of certain goals. The possibilities of entrepreneurship are realised because there is a motivated individual who could take advantage of economic circumstances, social networks, team, marketing opportunities as well as public assistance to create and nurture a venture (Shaver & Scott, 1991). Without this motivated individual, nothing happens. Therefore, entrepreneurship occurs because there is a motivated individual that thinks and acts differently.

Motivation has been conceptualised and operationalised using different entrepreneurial characteristics. While some motivational characteristics in entrepreneurship are salient and less debatable (for instance self-efficacy), some others are highly contestable (for example the risk-taking propensity). Several motivational characteristics along with depth-psychological

motivation have been researched and four of these are selected for this study following an extensive survey of the literature and the researcher's evaluation of their relevance to the current study. These are: *the need for achievement, locus of control, risk taking propensity, entrepreneurial self-efficacy (ESE)* (Begley & Boyd, 1987; McClelland, 1961; Shane *et al.*, 2003; Urban, 2011; Vecchio, 2003). Though other motivational characteristics like tolerance for ambiguity and the need for autonomy are widely mentioned, but empirical evidence supporting their wide application and impact are highly mixed.

For instance, Begley & Boyd (1987) submit that excessive tolerance for ambiguity may lead to the lack of response mechanism for dealing with environmental change, even when founders were found to score higher in tolerance for ambiguity than non-founders (managers). Also, the need for autonomy has been variously utilised to mean freedom and independence. According to Liao, Welsch, & Pistrui (2001), independence, autonomy and freedom are factor-analysed as a single dimension, indicating that the variables can be taken as a single construct. Also, Shane *et al.* (2003) identify independence, drive and egoistic passion as the motivation concept emerging from qualitative research. While independence is about taking responsibility, drive and passion are about willingness and determination to take the enterprise to the desired level. These dimensions are not considered in the questioner design, because they are taken as *givens* for entrepreneurs who are already running their businesses with set goals and a strategic vision.

To achieve efficiency in the research modelling, the need for autonomy is assumed to be fulfilled by the independence of the owner as the most important decision maker in the business. The conceptual framework therefore focuses on the selected entrepreneurial characteristics. Motivation research focusing on individuals in entrepreneurship is at the intersection of studies in motives, aspirations, behaviour and entrepreneurial process. These, according to Hessels *et al.* (2008, p. 325), are grouped into four types in relation to individual motivation for business founding as depicted in Table 2.1 below.

**Table 2.1: Individual Entrepreneurial Motivation Research Types**

| | |
|---|---|
| **1st**: Studies focusing on motives or reasons for starting an enterprise. Such reasons or motives are attributable to 'push' and 'pull' motives and can be classified as either opportunity or necessity. | **2nd**: Cost-benefit types of studies that try to explain the decision or intention to start a business. Material and immaterial risks and gains are evaluated for decision making. It can include those who are currently employed weighing their options vis-à-vis their current jobs. |

| | |
|---|---|
| **3rd**: Studies of entrepreneurial motivation investigating depth-psychological motives. Examples are studies on need for achievement (nAch); need for power (nPower) among others. This approach is quite different from 'push' and 'pull' motives or cost-benefit types. There is an underlying assumption of a small, but significantly positive relationship of these motivation types and entrepreneurship. | **4th**: Multinomial logit-type investigations explaining the odds of being in a certain stage of the entrepreneurial process. This includes studies of entrepreneurial intentions that investigate motivational variables, and other studies focusing on motivation for nascent stage, actual start-up, and running of the business. |

Source: Adapted from Hassels *et al.* (2008, p. 325).

The current study is within the third quadrant in Table 2.1. It focuses on depth-psychological motivational factors among entrepreneurs and not in comparison with managers or the rest of the population. Individual-level studies of motivation have been explored variously across and among samples; between entrepreneurs and managers or to determine the motivational differences of entrepreneurs and the rest of the population. There are also in-country and cross country studies that look at motives on aggregate levels with a view to determining variations in entrepreneurial motivations across countries (Hessels *et al.*, 2008; Reynolds, Bygrave, Autio, Cox, & Hay, 2002). Some studies have explored the impact of certain contextual factors on the motivation or decision making of entrepreneurs to start, grow, and re-start their businesses even after an initial failure (Autio & Acs, 2010; Hashi & Krasniqi, 2011; Hessels, Grilo, Thurik, & van der Zwan, 2011).

Psychology and entrepreneurship literatures have generally classified entrepreneurial motivation into intrinsic and extrinsic motivation (Carsrud & Brannback, 2011; Deci & Ryan, 1985). Ryan & Deci (2000) argue that humans are liberally endowed with intrinsic motivation tendencies. Intrinsic motivation is defined as personal interest for engaging in entrepreneurial tasks while extrinsic motivation is associated with the reward that follows certain entrepreneurial behavior (Carsrud & Brannback, 2011). The two motivation types are complementary because an entrepreneur can be internally motivated to succeed and achieve their business goals and vision and be externally motivated by the social recognition, status and wealth that will follow. According to Ryan & Deci (2000) an intrinsically motivated person is moved to act for the fun, enjoyment and challenges of engaging in tasks rather than the reasons of external pressure or expected rewards. Therefore, intrinsic motivation involves self-development and self-actualisation. People have different amounts and kinds of motivation that also determine the levels and types of motivation. To advance this argument, Self-determination theory (SDT) was developed. SDT differentiates between different types of motivation based on the various

reasons or goals that give rise to an action. It distinguishes between the content of goals and the regulatory process through which outcomes are pursued. SDT rests on the concept of internalisation, which is: "the process through which an individual acquires an attitude, belief, or behavioural regulation and progressively transforms it into a personal value, goal, or organisation" (Deci & Ryan, 1985, p. 130).

Berthelot (2008) utilised motivation based self-determination theory (SDT) developed by Deci & Ryan (1985) to test the impact of motivation (venture internalisation) on venture performance among French and American entrepreneurs in the US. Specifically, the Berthelot model of venture internalisation describes a process whereby an entrepreneur internalises his/her venture as the venture meets the needs for competence, autonomy and relatedness (Berthelot, 2008, p. 20). The model established a positive relationship of motivation (internalisation) with performance satisfaction among American and French entrepreneurs. In other words, an entrepreneur internalises the business to various degrees that result in the varying levels of entrepreneurial motivation and sets the pace for venture performance. A study of causal attribution of business failure by Yamakawa (2009) that utilises an intrinsic and extrinsic motivational framework reported a marginally significant positive relationship between the intrinsic motivation of an entrepreneur to re-start with another business after an initial failure and the growth of their subsequent enterprise. In addition, entrepreneurs' internal attribution (as opposed to external attribution) of blame for their failure is positively associated with the growth of their firm and such intrinsically motivated individuals are more likely to learn from failures than individuals that attributed blame to external factors/influence.

In entrepreneurship research to date, different motivational characteristics are reported to influence entrepreneurial behaviour, performance, success and survival but none has come to be accepted as an overarching tool in the domain to assess the entrepreneurial motivation-performance link. There are few existing models that have been widely cited, such as the model of entrepreneurial motivation and the entrepreneurial process developed by Shane *et al.* (2003). The model suggests the impact of human motivation in the entrepreneurial process is given preference to general and task-specific entrepreneurial motivation, entrepreneurial opportunities, entrepreneurial conditions, cognitive factors (vision, knowledge, skills and ability), opportunity recognition, idea development and key important outcome variables denoted as execution. Shane

and colleagues attempted to provide an overarching model of entrepreneurial motivation linking various components in the entrepreneurial process with several important mediating and moderating variables based on previous research. The model based on a narrative review of previous literature is widely cited but largely untested (Berthelot, 2008; Stone, 2012; Urban, 2011).

In Africa, most studies focus on motives (Benzing & Chu, 2009; Chu, Kara, & Benzing, 2008; Neneh, 2012; Singh, Simpson, Mordi, & Okafor, 2011). For instance, the Chu *et al.* (2008) findings on the motives of Nigeria's micro business owners indicate that entrepreneurs are motivated to enter into business because of independence, satisfaction and growth, increasing income and past training/experiences. In South Africa, Mitchell (2004) reports that south African entrepreneurs are primarily motivated by the need for independence, need for material incentives and the need for achievement, while gender analysis reveals that men desire security and females desire learning and more money for survival. Also, finding by Neneh (2012) shows that a low entrepreneurial mindset still persists among South Africans.

Beyond individual motives like seeking independence, wealth, or recognition, GEM classified motives according to the conditions/reasons for business founding in terms of 'opportunity' and 'necessity' motivated entrepreneurship (Reynolds *et al.*, 2002). While GEM's categorisation of founding motives is relevant to the objective of measuring the rate of entrepreneurial activity across countries, there are empirical findings indicating that motives for founding can change as entrepreneurs respond to emerging opportunities in their environment in the growth process (Williams, 2008). From GEM's categorisation, growth, innovation and wealth creation are associated with 'opportunity' motivated entrepreneurs while most 'necessity' entrepreneurs are expected to be doing mainly survivalist businesses with limited growth aspirations (Hessels *et al.*, 2008). However, the fundamental principle of the law of trying expects that human beings (including entrepreneurs) should have the tendency to experiment in the course of goal pursuits (Bagozzi & Warshaw, 1990; Bay & Daniel, 2003).

Motivation studies in entrepreneurship with a behavioural perspective align with the process theories, especially those seeking to identify 'how' entrepreneurs get motivated and the link with behaviour and business success. Generally in entrepreneurship, motivational studies have clustered around intrinsic and extrinsic motivation (Berthelot, 2008; Yamakawa, 2009), start-up

motivations (Reynolds *et al.*, 2002), the link between intention and motivation/behaviour (Edelman, Brush, Manolova, & Greene, 2010), growth motivation/aspiration (Delmar & Wiklund, 2008; Stenholm, Acs, & Wuebker, 2013; Wiklund & Shepherd, 2003), goal setting and commitment (Locke, 2000; Locke, Gary, Latham, & Erez, 1988), individual motives for engaging in business and success (Benzing & Chu, 2009; Kozan *et al.*, 2006; Stone, 2012), the relationship and impact of an entrepreneurs' deep-psychological characteristics and behaviour/success in comparison with non-entrepreneurs (Begley & Boyd, 1987; Chen *et al.*, 1998; Cools, 2008) or among successful and unsuccessful entrepreneurs (Brockhaus, 1980a; Markman & Baron, 2003).

In addition, there are studies that examine the relationship of individual characteristics and venture growth/performance (Baum & Bird, 2010; Baum *et al.*, 2011; Berthelot, 2008; Liao *et al.*, 2001; Širec & Močnik, 2010), and by extension multidimensional models (Baum & Locke, 2004; Baum *et al.*, 2001; Herron & Robinson, 1993; Korunka, Kessler, Frank, & Lueger, 2010; Shane *et al.*, 2003). There are also country specific and cross country studies regarding motivations, aspirations or re-entry (Autio & Acs, 2010; Block & Wagner, 2010; Herrington, Kew, & Kew, 2009; Hessels *et al.*, 2011; Hessels *et al.*, 2008; Reynolds *et al.*, 2002). The point in emphasis is that motivational characteristics have been widely researched in different contexts and across or among subjects in entrepreneurship and mature disciplines. However, the unique proposition in the current study is that to the researcher's best knowledge, the motivation of SMEs entrepreneurs from an emerging economic perspective using an interactional research paradigm has not received detailed empirical investigation within the domain.

### 2.5 Motivation and Behaviour

Human behaviour has been explained by scholars in different ways using theories. Several of these theories, though sometimes with a large followership, have not gone unchallenged, especially theories that conceptualise human behaviour as pre-eminently determined by external influences (through reward and punishment) or internal influences (through instinct, drive and unconscious awareness). These theories are criticised for being too deterministic and for introducing several spurious assumptions that can hardly be ignored in view of clear evidence to the contrary. Though the views that traits regulate behaviours appear somewhat appealing, but

measuring behaviour using traits alone may yield results that are not factual thereby leading to errors of situational generalisability.

There is usually an error when peoples' behaviour is assessed from only a single transaction because individuals' actions can vary widely depending on situations. People can therefore alter their behaviour under varied situations to meet changing circumstances/demands. According to Bandura (1986, p. 6), because people tend to be selective in their cognitive processing of information or action, individuals' ratings of their own behaviour may appear consistent especially when the report is verbal instead of a direct assessment of the behaviour. This is because people select what they wish to notice, process and remember in ways that are consistent with their preconceptions of self and others.

The shortcomings in a personality traits conceptualisation of behaviour are: they seek to explain behaviour that has already occurred, and their capability to predict future behaviour is highly deficient. According to Bandura (1986), evidence indicates that personality traits usually have a very weak correlation with social behaviour. For instance, McClelland (1985, p. 822) finds that only the motives and perceived skills interactions contribute significantly to the prediction of operant affiliative acts. Therefore, a person's belief about his or her success in utilising social skills is not enough unless he/she is motivated to use the skills. In this instance, Bandura (1986, p. 4) argues that behaviour cannot be unconsciously determined because an individuals' awareness of the contributing factors to their behaviour and the accompanying effects significantly influence emotional reaction and behaviour. Even with the habits of routines, that is when people do things as if though unconscious, it will not negate the fact that thoughts are conscious activities involving reasoning, reflection, imaging and other ideational activities.

In entrepreneurship, despite the recognition of motivation as critical to entrepreneurial events and success/performance and one of the most researched topics in the social sciences (Gatewood, Shaver, Powers, & Gartner, 2002), its conceptualisation as a behavioural construct and link to performance and/or success has received very limited empirical attention in entrepreneurship till date (Baum & Locke, 2004; Rauch & Frese, 2007; Utsch & Rauch, 2000). Several of the motivational components have come to be recognised as capable of energising, directing and sustaining behaviour. Some studies have attempted to understand the personality behind entrepreneurial endeavour with a view to linking motivational characteristics such as nAch to

entrepreneurial behaviour, the performance of the venture or compare entrepreneurs and managers (see Collins *et al.*, 2004; Johnson, 1990; Stewart Jr & Roth, 2007for meta analyses).

All activities relating to business founding and success are behavioural. Specific individual traits such as the need for achievement, generalised self-efficacy, innovativeness, stress tolerance, the need for autonomy, and the proactive personality are found to correlate with the behavioural measures of business founding and success according to the findings by Rauch & Frese (2007) in a meta-analysis. Taking any of the matched traits such as innovativeness and relating it to success could mean that an entrepreneur who is innovative may have a high nAch and a greater possibility of success. Because innovativeness has been found to moderate the relationship between achievement orientation and venture performance (Utsch & Rauch, 2000), it is also therefore relevant to expect that an innovative business owner is likely to be high on the nAch (though this may not be sufficient for success) but can in turn aid the owner's personal growth, increased satisfaction, improved group cohesion, and better interpersonal communication (Utsch & Rauch, 2000, p. 58). Measures of enterprise performance in the current research are synonymous with outcome variables like success (whether business or personal entrepreneurial success) as used in some studies and confirmed as behavioural variable (Rauch & Frese, 2007).

Businesses are expected to be run by individuals with leadership skills and the capacity to organise resources required by the business. These individuals are very likely to have some degree of passion, confidence and the desire to run businesses that are relatively successful by the standards they set. Generally they have high needs for achievement with a corresponding appetite for moderate risk (McClelland, 1961), high self-efficacy (Begley & Boyd, 1987) and internal locus of control (Lee & Tsang, 2001). Motivational variables such as the need for achievement, generalised self-efficacy and higher order need can influence behaviour and the emerging behaviour can equally influence/predict performance (Rauch & Frese, 2007). However, firm size and financial situations have been suggested to be potential moderators of the relationship between innovativeness/initiative and performance (Utsch & Rauch, 2000, p. 58). Further, people who can overcome certain limiting factors to their success or who can challenge the status-quo are more likely to grow in their businesses. This is because they have high self-efficacy, do not have self-doubt, exert enormous efforts, are very tenacious and do not give up quickly.

According to McClelland (1985), using motivation to refer to arousal states such as a need for achievement seems less confusing. Some development in the field of motivation has led to the cognitive conception of motives and the era of restricting the term 'motivation' is gone according to McClelland. Motivation is now conceived as a product of cognitive variables (p.813). On the whole, motives and skills account for greater levels of significance in determining what people do (behaviour). Bandura (1986, p. 3) opines that "Self-appraisal is a much better predictor of future behaviour than are personality tests which supposedly measure determinants of peoples' behaviour of which they are unaware". The underlining assumption is that for motivation research to advance, it needs to shift focus from trait to a behavioural approach. Because motivation is critical to our understanding of the phenomenon of entrepreneurship as a whole (Shane *et al.*, 2003), it is therefore appropriate to understand which motivational characteristics support entrepreneurial behaviour and performance in an emerging economy. This perspective is important because only motivated individuals will search, discover, evaluate and act on opportunities or intention bearing other cognitive and contextual factors.

Due to the centrality of motivation to small firm performance (Herron & Robinson, 1993), the behavioural impact of motivated entrepreneurs becomes manifest in their business creation and all activities relating to making the business successful (Rauch & Frese, 2007). Each of the dimensions of motivation that the research is evaluating is discussed in the following sections.

### 2.5.1 Need for Achievement (nAch)

The concept of need for achievement (nAch) has received enormous attention in psychology and entrepreneurship since McClelland (1961) introduced the concept and other empirically based longitudinal studies that followed. The need for achievement refers to a desire to accomplish difficult tasks, excel, do better than others and achieve a sense of personal accomplishment (McClelland, 1961). According to McClelland, individuals with a higher level of nAch usually set challenging but achievable goals, are moderate risk takers, require constant and timely performance feedback. Entrepreneurial characteristics derivable from the nAch indicate important linkages of the construct as a motivational characteristic with outcome (success) where knowledge, skills and individual responsibility are critical (McClelland, 1961, p. 207).

McClelland (1965b) testing the relationship between the nAch and entrepreneurship in a longitudinal study found that college graduates who participated 14 years earlier in the nAch study and scored significantly higher than those who scored lower while in school were later found in entrepreneurial occupations. McClelland argues that a high nAch predisposes people (young men) to seek out entrepreneurial positions. All things being equal they can attain more of the achievement satisfactions they seek in other positions or vocations as well. Important implications of the results according to McClelland are: in the US among white college students, males with a high nAch are likely to embrace business occupations of an entrepreneurial nature. Also, a nAch may be used to predict life outcomes over a long period and can modify the style in which a person carries out his professional duties (p.391-292). Several studies reported positive results in the relationships of individuals who scored high on the nAch study with entrepreneurial behaviour and on business performance (Collins *et al.*, 2004; Johnson, 1990). For instance, Collins *et al.* (2004) in a meta-analysis found support for both projective and self-report measures (TAT, questionnaires, and the Miner Sentence Completion Scale-t) of achievement motivation. There is a fairly consistent positive relationship between the nAch and entrepreneurship (Johnson, 1990) and between the nAch and venture growth/performance (Lee & Tsang, 2001).

The Need for Achievement (also known as achievement motivation), combined with the knowledge schema, has been found to play a significant role in influencing Asian immigrants resident in the US to start businesses (Busenitz & Lau, 1996). Other evidence suggests that people who score higher in the nAch study tend to start their own businesses more often than those who score low on the nAch study (Ahmed, 1985) and also do well in their businesses (Begley & Boyd, 1987; van Vuuren & Botha, 2010). However, Brockhaus & Horwitz (1986) observe that the evidence on entrepreneurs having a high nAch is not widespread because there are successful executives with a high nAch yet who do not own a business. Also, the report by Cromie (2000) points to some studies that could not differentiate between entrepreneurs and other individuals such as managers or university professors. McClelland defined entrepreneurs broadly without separating founders and managers of companies; hence individuals who scored high on the nAch study might be performing entrepreneurial roles without founding or owning a business. Following previous studies that have linked the nAch with performance in other contexts, and Collins *et al.*, the conclusion from a meta-analysis is that the nAch study might be

effective at differentiating between known groups of firm founders, the current study attempts to link business owners' nAch with enterprise performance in an African emerging economic context.

### 2.5.2 Locus of control

Locus of Control refers to the extent to which people attribute control over events. It is a generalised belief that destiny can or cannot be controlled by an individual. This is noted in two forms; internal locus of control (attribution to selves) or external locus of control (attribution to others). Individuals high in internal locus of control believe they have influence over their own actions, they can determine the means and ends. On the contrary, individuals high on external locus of control attribute event outcomes to external factors (Rotter, 1966). An important capability under SCT is the capacity for self-direction, indicating how people can affect their own motivation and action through self-influence (Bandura, 1986). This is a paradigm shift from the psychodynamic theory that views human behaviour as a manifestation of the dynamic interplay of inner forces largely operating from below the level of human consciousness. Generally, people with a high nAch have a higher internal locus of control (McClelland, 1961) and successful entrepreneurs have a higher internal locus of control than unsuccessful ones (Brockhaus, 1980a, 1982).

Internal locus of control has been identified as an important entrepreneurial trait (Shane *et al.*, 2003; Vecchio, 2003). Entrepreneurs are expected to have a higher internal locus of control given their appetite for opportunity discovery, exploitation, and venture creation (Shane & Venkataraman, 2000). There is evidence supporting the idea that many entrepreneurs succeed because of their higher internal locus of control as they are able to overcome challenges and disappointments in the course of generating their business's performance (Boone, de Brabander, & van Witteloostuijn, 1996). Other studies (Berthelot, 2008; Lee & Tsang, 2001) also establish a positive relationship between measures of performance and internal locus of control. Bangladesh immigrant entrepreneurs in the U.K are reported to have a higher internal locus of control than non-entrepreneurs (Ahmed, 1985). However, the belief that internal locus of control distinguishes between entrepreneurs and non-entrepreneurs (such as managers) could not hold true according to some findings (Begley & Boyd, 1987; Chen *et al.*, 1998). Such instances might

be explained by a lack of clarity between the task of founding a business and managing it (Shane *et al.*, 2003).

Because the empirical findings are inconclusive, this study intends to examine the relationship of the perception of internal locus of control on business performance among groups of entrepreneurs in the South African context. It is expected that a high perception of internal locus of control will impact on the enterprise performance holding other factors constant.

### 2.5.3 Risk taking propensity

Entrepreneurship has long been associated with risk taking because the decision to found an enterprise or invest involves some degree of uncertainty and risk. Mill (1848) provided one of the earliest definitions to distinguish entrepreneurs from other business owners and managers when he suggested that risk bearing was a distinguishing factor that separated entrepreneurs from business managers, especially other business owners who assume financial risks but are neither decision makers by being involved in the day-to-day running of the enterprise nor are they founders (such as shareholders and venture capitalists). Contrary to Mill, McClelland's view of risk taking is not an exclusive characteristic of founders or business owners; rather, it is widely applied to individuals involved in the day to day business running and have decision making responsibilities within an enterprise (McClelland, 1961). In this regard key decision makers that are not founders can be said to possess the behavioural characteristics for risk taking.

The normative theory of risk taking expects risky investment to pay better returns than safe investment. The risk-taking propensity therefore refers to decision-making that is oriented towards acceptance of a greater likelihood of loss in relation to the expected potential reward (Vecchio, 2003). In the process of opportunity discovery and exploitation, entrepreneurs take risk (Drucker, 1985; McClelland, 1961). Though opportunity discovery and exploitation are not linear, orderly processes but overlapping processes (Davidsson, 2008, p. 39), in the course of moving resources from areas of low yield to areas of higher yield or productivity (Drucker, 1985), entrepreneurs take risks as they expect to gain more than they are giving up (Venkataraman, 1997). An entrepreneur is therefore always on the lookout for opportunities to discover where change exists with the aim of exploiting it (Drucker, 1985). However, the degree of risk taking is viewed differently among scholars (Baumol, 1993; Davidsson, 2008; Drucker,

1985; McClelland, 1961). Specifically, McClelland (1961) expects individuals with a high nAch to be moderate risk takers and yet have a high internal locus of control.

Several empirical studies have reported conflicting findings between and across respondents. For instance, a risk taking propensity has been reported not to be a distinguishing characteristic between entrepreneurs and non-entrepreneurs (Brockhaus, 1980b). In contrary, a higher risk taking propensity is reported among Bangladesh immigrant entrepreneurs in the U.K as compared with non-entrepreneurs (Ahmed, 1985). Knight, Durham, & Locke (2001) found that goal determines to a large extent the degree of risk taking when making decisions. In American samples, Berthelot's (2008) findings could not confirm a positive relationship between a risk-taking propensity and performance satisfaction. There is an indication that entrepreneurs lacking in self-confidence are very likely to be risk averse according to Busenitz (1999). Some findings point to the impact of the decision making process on individuals' perception of risk, especially in relation to cognitive biases (Busenitz & Barney, 1997). Liao *et al.* (2001) reported that only highly motivated entrepreneurs would be willing to take a riskier avenue to growth. Whereas the Simon *et al.* (1999) findings indicate a high possibility for individuals to underestimate the risk involved in business at start-up without knowingly ignoring the risk, the judgment is instead blurred by overconfidence, biases, and limited information.

On the other hand, Brockhaus' (1980) findings indicate that founders are moderate risk takers but did not differentiate amongst managers and cautions that a risk-taking propensity has no direct bearing upon an enterprise financial performance. Begley & Boyd (1987) report that moderate risk-taking is associated with increased returns on assets (ROA) for founders, but when risk-taking becomes excessive, ROA decreases and profitability may decline. This finding bears similarities with the results obtained by Palich & Bagby (1995) using a cognitive scenario approach. It indicates that entrepreneurs, though not being risk averse, may not be significantly different on a risk propensity scale from non-entrepreneurs. It means that entrepreneurs may not be willing to take excessive risks without evaluating such impact on expected outcomes and most importantly, there may be an important link with other personality characteristics of the entrepreneurs that may influence the propensity to risk taking.

From the literature review so far, it appears there is no conclusive evidence on the propensity of entrepreneurs to risk taking (Miner & Raju, 2004; Stewart Jr & Roth, 2004), and the link

between a risk-taking propensity and a business financial performance is not clear. However, there is wide acceptance of risk taking as an important characteristic of entrepreneurs (Shane *et al.*, 2003; Vecchio, 2003). Scholars have advanced different reasons for equivocal empirical findings, one being the possibility of entrepreneurs having different perceptions of risk (Simon *et al.*, 1999) and another reason may be due to measurement errors in the risk-taking propensity assessment and that risk taking measurements might in fact be confused with self-efficacy (Shane *et al.*, 2003).The need to compare risk-taking propensities of growth-oriented and income-oriented entrepreneurs has been suggested (Stewart Jr & Roth, 2001). However, Brockhaus (1980b), citing Liles (1974), notes that risk taking involves enormous responsibilities and sacrifice especially when it results in failure. It can lead entrepreneurs to sacrifice their personal and family welfare, financial, psychological and career opportunities.

While previous studies have compared different subjects such as founders and non-founders (Begley & Boyd, 1987; Palich & Bagby, 1995; Stewart Jr *et al.*, 1999), risk-taking propensity in this study is taken as an important entrepreneurial characteristic to be assessed within groups of entrepreneurs in an emerging economic context. The study assumes entrepreneurs to be rational decision makers when risk is involved and are expected to evaluate the consequences of their risk taking in relation to the expected outcomes. An entrepreneur is expected to balance both the associated risk and expected returns and determine the opportunity cost inherent in any decision, especially when the decisions are associated with high-growth given that risk is a fundamental and integral element of a free market economy (Knight *et al.*, 2001).

### 2.5.4 Entrepreneurial self-efficacy

Self-efficacy is a person's beliefs about his or her chances of accomplishing a specified task (Bandura, 1997). People's conception of their personal efficacy is perhaps the most influential of different aspects of self-knowledge according to Bandura (1986, p. 390). This is because perceived self-efficacy has generative capability that is beyond self-awareness but rather in which cognitive, social and behavioural sub-skills must be organised into integrated courses of action with a view to serve several purposes (Bandura, 1986, p. 391). Importantly several of the capabilities embedded in the SCT converge to make self-efficacy an influential personal

characteristic, including but not limited to vicarious learning, experience and several other cognitive and social skills that people utilise in different circumstances.

The success of entrepreneurs is dependent on personal motivation and a willingness to achieve set goals. Self-efficacy is a task-specific self-confidence and a significant predictor of differences in performance even among people with the same ability because efforts, persistence and planning differ (Shane *et al.*, 2003). Implementing a formal self-efficacy programme that focuses on entrepreneurial empowerment will do much to change the current state of entrepreneurship development in transitional economies instead of infusing financial capital as has been suggested (Luthans *et al.*, 2000). Perceived self-efficacy influences cognitive, motivational, affective, and selection processes (Bandura, 1993). Self-efficacy with its roots in clinical and social psychology has assumed the status of cognitive motivation (Cacioppo, Petty, Feinstein, & Jarvis, 1996). Bandura (1993) results indicate that skills can be explained substantially by self-efficacy.

In particular, the importance of entrepreneurial self-efficacy (ESE) is reinforced by the pioneering work of Chen *et al.* (1998) with the application of the concept of self-efficacy to entrepreneurship. Entrepreneurial self-efficacy (ESE) has proved to be a distinct characteristic of the entrepreneur and in fact distinguished business founders and non–founders on the basis of innovation and risk-taking (Chen *et al.*, 1998). Result by Chandler & Jansen (1992) indicates that the most successful founders - those whose firms show higher levels of growth and earnings - rate themselves as competent in the entrepreneurial, managerial, and technical-functional roles; they see themselves as competent generalists. However, only the dimension of managerial efficacy emerged as a significant predictor of subsequent performance. Importantly, the study lends support to the importance and relevance of self-efficacy among business founders.

In South Africa, self-efficacy is confirmed to correlate moderately with the cognitive dimensions of willingness and ability scripts (Urban, 2010). Also, the preliminary finding by Mair, (2005) indicates that entrepreneurial self-efficacy beliefs are a powerful predictor of entrepreneurial behaviour and such beliefs are critical to translate perceptions of context and individual characteristics into behaviour. The study asserts that self-efficacy provides an important linkage with cognitive factors especially the use of skills and ability. Self-efficacy is also important in determining whether individuals will actualise entrepreneurial intention or not (Urban, 2006). In spite of this recognition, many individuals in emerging economies are not engaging in

entrepreneurial activities or rather do it because there are no alternatives (Reynolds *et al.*, 2002). Such individuals may not be expected to grow their business to any significant level.

In transition economies, while some entrepreneurs lack ambition to grow their business, others lack ambition to start new business, despite their having requisite knowledge, skills and abilities (Luthans *et al.*, 2000). Using this scenario, Bandura (1997) argues that the choice of action is not involuntarily determined by the environment because people exercise some influence over what they do by the choices they make. An agent is expected to behave differently from what the environment dictates instead of yielding to this. Consistency in the predictive capability of the self-efficacy effect on the possibility of becoming an entrepreneur is not in doubt (Chen *et al.*, 1998), but ESE's direct impact on performance has produced less congruent results. Only a few studies have investigated entrepreneurial self-efficacy in the emerging economy of South Africa (Urban, 2006, 2010, 2012). These studies are not linked to performance. More studies are required from multidimensional research paradigms among entrepreneurs in South Africa.

### 2.6 Cognitive Perspectives in Entrepreneurship

Entrepreneurial cognition is gaining prominence in the field of entrepreneurship due to the vital role of perception and thinking in influencing behaviour. Entrepreneurial cognition is defined as the knowledge structures that people use in all decisions relating to opportunity assessment, discovering, evaluation of venture creation and growth. It includes both the thought processes and perception of the people involved (Mitchell, Busenitz, *et al.*, 2002). An opportunity that will be exploited must first be perceived and assessed, because cognition influences behaviour (Urban, 2010) and 'The people side of entrepreneurship' is important to our understanding of the personality behind wealth creation. Therefore, the application of ideas and concepts from cognitive science can give a better understanding to the personality of an entrepreneur (Baron, 2004a, 2004b; Baron & Ward, 2004; Krueger, 2007; Mitchell, Busenitz, *et al.*, 2002; Mitchell *et al.*, 2004). In a review of literature in this domain, such a need is reinforced with emphasis on the interactions between cognitive resources and mental representations and the need to explore the relevance of entrepreneurial cognition across levels of analysis (Grégoire, Corbett, & McMullen, 2011). This perspective is important to finding satisfactory answers to the question relating to why some people and not others are able to discover and exploit entrepreneurial opportunities.

There are deep cognitive structures behind every attitude of an entrepreneur which are also rooted in deep beliefs and understanding. These beliefs and cognitions could reveal why certain entrepreneurs ('experts') behave in a particular manner and others ('novices') do not (Krueger, 2007). Put differently, cognitive science provides us a better tool to understand why people facing the same situation will exhibit different behaviour depending on their levels of professional competency (due to knowledge, skills and abilities) at their vocation and they will keep exhibiting greater competencies as they develop higher cognitive abilities (Baron, 2004a; Krueger, 2007) and these areas of expertise probably impact on their business performance. Specifically, studies examining differences in cognition among entrepreneurs and non-entrepreneurs have focused largely on how entrepreneurs structure what they know (Mitchell, Smith, *et al.*, 2002; Urban, 2010). These studies underscore the importance of such knowledge structure and reinforce the increasing credibility and relevance of cognition in entrepreneurship. Other studies have set out to test the cognitive dimension (combined with regulatory and normative dimensions) in different cultural contexts in developed economies (Busenitz *et al.*, 2000) and have obtained slightly different results from studies in emerging economies (Manolova *et al.*, 2008).

These contrasting results indicate that the cognitive profile may not be universal contrary to earlier evidence and indeed entrepreneurs in emerging economies could possibly have a different approach to the use of cognitive factors such as knowledge, skill and ability (KSA). The cognitive factors are believed to be person-specific for the research purpose and not team factors. However, West (2007) study on collective cognition advanced the argument that both the differentiation and integration dimensions of cognition are strongly related to business performance. While the collective dimension is acknowledged, given the focus in this study and personal agency perspective of the agentic theory, the cognitive process cannot be a collective but individual act (Bird & Schjoedt, 2009; Shane, 2003). The application of cognitive principles offers an opportunity to understand why entrepreneurs make adjustments in their businesses as they grow. This adjustment, according to Krueger (2007), may not require a complete change in what they know but in how they structure their knowledge. Some of these ideas underscore why some entrepreneurs, given their personal characteristics, cognition and contextual dynamics, are likely to generate different performance outcomes.

## 2.7 Cognition and Entrepreneurial Decision Making

Cognitive theories offer entrepreneurship several important tools to broaden understanding of the way entrepreneurs and their businesses are assessed. Such tools are useful in assessing the relevance of knowledge, experience, opportunity recognition, decision making, among other things. Since entrepreneurship is about practical action that requires decision making, a cognitive analysis of the decision-making process provides cognitive explanations as to the way and manner firms grow and to the management approach which differentiates some entrepreneurs who achieve success and growth from others who remain less successful given the quality and impact of decisions made. At an individual level, decision making is a daily occurrence and the seriousness attached to every decision depends on the decision maker's expectations and the importance and consequences of the decision outcomes. An entrepreneur who chooses to set up a manufacturing company with an innovative product or an export-oriented business will no doubt think, plan and decide strategically, given the enormity of what will be required in starting and growing the business.

On the other hand, while a petty trader or a subsistence farmer is not assumed to be lacking in ideas and creativity, the nature of petty trading or subsistence business is such that the day-to-day decision making will be increasingly less strategic and more of a routine. While strategic decisions are high-stake decisions with some degree of uncertainty and complexity, routine decisions are regular and administrative in nature. This is the reason why entrepreneurs' decision making at different stages in the life of an enterprise differs based on the needs and strategy being pursued at any particular moment. At start-up, many businesses face the '*liability of newness*' (Stinchcombe, 1965) and at post-start-up some face the '*liability of adolescence*' (Brüderl & Schüssler, 1990). This indicates that entrepreneurs facing different types of '*liabilities*' at different stages in the growth trajectory must make specific decisions, strategic and/or routine, to overcome the emerging hurdles to survive.

Three theories of entrepreneurial decision making have been suggested: neoclassical, Austrian and behavioural (Endres & Woods, 2006). Unlike the other two approaches, individual is at the core of decision making in behavioural theories and the differences in personal characteristics of entrepreneurs is influential in the decision making process and the outcomes (Brouthers *et al.*, 1998; Busenitz & Barney, 1997; Markman & Baron, 2003). Entrepreneurial decision making

(EDM) is a cognitive task and critical to the survival of the business enterprise. At the emergent stage, the personal characteristics of the founder are quite decisive while subsequent decisions are made incrementally and in a more structured manner (Korunka *et al.*, 2010). Of relevance is the decisions made by entrepreneurs at the start of their business which subsequently shape the way their business is to be run. Though different opinions and empirical findings exist on the use of decision making styles such as rationality, intuitiveness and analytic by entrepreneurs in small firms (Brouthers *et al.*, 1998; Bruce & Thorne, 2009; Sadler-Smith, 2004), there seems to be a general understanding that entrepreneurs do use their cognitive resources in thinking, decision making and execution and such differences matter in the outcome they obtain (Baron, 2004a; Busenitz & Barney, 1997; Krueger, 2007; Markman & Baron, 2003; Mitchell, Busenitz, *et al.*, 2002).

Research has identified entrepreneurs as optimistic, independent and decisive individuals such that their decision making may manifest biases and heuristics (Busenitz & Barney, 1997). Biases and heuristics are common types of mental shortcuts utilised by individuals in decision making situations, especially in complex and uncertain situations (Simon *et al.*, 1999). They constitute a way to approximate decision making. Entrepreneurial decision making may manifest biases and heuristics for different reasons because of the costs and time required to gather and process information, the decision making procedures and the values of the decision makers - that do make rational decision making a non-feasible option (Busenitz & Barney, 1997, p. 12). In the literature, three heuristics are prominent: overconfidence, representativeness and counterfactual thinking (Baron, 1999; Busenitz & Barney, 1997; Curseu, Vermeulen, & Bakker, 2008; Gaglio, 2004). While overconfidence may portend some obvious negative consequences especially if things go bad, perceived opportunities are often influenced by learning even after entrepreneurial actions have been embarked upon (Renko, Shrader, & Simon, 2012). For entrepreneurs, many new venture ideas and creativity would not have come to fruition without being initially *overconfident* or manifesting significant enthusiasm (Busenitz & Barney, 1997; Simon *et al.*, 1999).

Entrepreneurs are more likely to ignore the emerging noise and treat signals more positively than non-entrepreneurs in the decision-making situation due to confidence bias. However, Levie & Autio (2011) findings using signalling theory and the theory of strategic entry show that

entrepreneurs can be sensitive to the dictates of the institutional framework conditions and these determine their strategic entry point (start-up decision by previously employed individuals). According to Renko *et al.* (2012), perceptual filters, such as biases, heuristics, cognitive ability, personal aspirations, discounting, amount of scanning/search effort, frequency and timing of exposure to stimuli, and cognitive schema determine the signals that are received and how the signals are interpreted (p. 1239). Because entrepreneurial decision making involves potential consequences like opportunity costs, sacrifice, reputational and, sometimes, business survival risks, there may be a need for a series of evaluations that will require the entrepreneurs utilising cognitive resources in the decision-making process.

For entrepreneurs, *representativeness* heuristics assist in the selection of variables, event or activity to focus on amid uncertainty and complexity with a view to making quick decisions based on subjective probability judgment. It is the tendency to overgeneralise a few attributes or observations in decision making situations which sometimes may be based on small and non-random samples (Busenitz & Barney, 1997). Also, *counterfactual thinking* is an important heuristic that manifests in the decision making process of entrepreneurs due to the importance of reflection, mental simulation and learning from experience (Baron, 1999; Gaglio, 2004). According to Baron, counterfactual thinking provides an opportunity for sense making with components for affective and cognitive consequences. It has positive and negative effects depending on the outcome and the individuals but can be used to establish causal inferences with a view to maintaining some sense of cognitive coherence in the decision maker. Because counterfactual thinking is likely to give room for feelings of regret, disappointment and envy especially with contrasting consequences, entrepreneurs are less likely to engage in counterfactual thinking than non-entrepreneurs according to findings by Baron (1999). An inability to engage in counterfactual thinking may mean that entrepreneurs will not learn enough from past actions to be able to prevent costly mistakes; whereas doing so provides opportunities for learning, strategy development and performance improvement (Baron, 1999).

Curseu, Vermeulen, & Radulova (2008) suggest that decision making involves three components: the environment, the characteristics of the decision (process), and the entrepreneur. It is likened to SCT triadic reciprocal causation (Bandura, 1986). The three components are in constant interactions and the influential role of entrepreneur in the strategic decision-making

process is reinforced. For instance, entrepreneurs are interactively influenced by the environment and the strategic process that drives the decisions being made. Previous findings point to the influence of the personal characteristics of entrepreneurs in strategic decision making and outcomes in small firms (Brouthers *et al.*, 1998). The point is made that strategic decision making in small firms involves environmental consideration and the entire process is a cognitive activity. An entrepreneur can therefore be viewed as a person who manages a business enterprise with decision making responsibilities, both strategic and routine. An important distinction is made between small and large firms; often one person or a few individuals are involved in decision making in small firms.

In sum, the concern here is to emphasise that SME entrepreneurs do make decisions that are both strategic and routine. Also, entrepreneurs do make strategic choices at the commencement of the business. This according to the literature is interactively influenced by the environment, the decision-making process and the personal characteristics of the entrepreneurs. The point in emphasis is that entrepreneurs' cognitive factors of knowledge, skill and ability are important components necessary for making strategic choices. The underlying assumption is that entrepreneurs will continuously make decisions, whether strategic or routine, as the business matures and will utilise their cognition. The impact of the entrepreneur's cognition on enterprise performance will be a proxy indicator for the cognitive capability of the entrepreneurs and the quality of subsequent decision making that generates performance.

### 2.8 Cognitive Factors and Entrepreneurship

While the human cognition literature recognises the importance of KSA conceptually and theoretically, the concept in entrepreneurship literature suffers from weak theoretical articulations and narrow empirical investigations. Most scholars agree that entrepreneurs need to have knowledge, skill and ability to do well in their businesses, but clear empirical evaluation of the KSA factors is lacking. Entrepreneurs' KSA is often assessed jointly as a bundled construct in terms of 'capability', 'competency', 'expertise' and 'human capital' without indicating which of these factors are salient for individuals, which needs to be developed and the context that best supports their utilisation and development. The approach in the current study differs, as clear empirical evaluations of each of the dimensions of KSA are made within the research paradigm

of entrepreneurial cognition. Research needs to consider how KSA impacts performances in small firms managed by different entrepreneurs.

Understanding differences in cognitive factors is relevant to a cognitive perspective in entrepreneurship because the knowledge, skill and ability (KSA) that people draw from, in the course of opportunity discovery, evaluation, decision-making and action are key components in determining entrepreneurial behaviour and outcome. In a process model focusing on entrepreneurial motivation, the salient dimensions of KSA are emphasised as key variables whose interactions and outcome are relevant to entrepreneurship (Shane *et al.*, 2003). In the previous studies, knowledge is found to influence the business start-up process and growth (Penrose, 1959; Shane, 2000), skills are task specific competencies (Baum *et al.*, 2001), while ability is believed to be broadly related to education and experience (Davidsson, 1991).

The approach used to measure knowledge in this study is based on the knowledge typologies (Berthoin-Antal, 2000; Lipuma, Prange, & Park, 2011). A questionnaire was developed by the current author based on the knowledge typologies combined with previous education and training, with a view to providing greater coverage of knowledge according to the research objectives. This is important because domain specific knowledge is found to influence both the enterprise start-up process and performance (Baum *et al.*, 2011; Rotefoss & Kolvereid, 2005). Knowledge is conceptualised in this study as *business* and *technical* knowledge (Gnyawali & Fogel, 1994). The measurement for skill focuses on issues relating to funding the business take-of, organisation, supervision, delegation, resource allocation, day-to-day business management and networking in line with previous studies (Baum *et al.*, 2001; Chandler & Hanks, 1994; Chandler & Jansen, 1992). Skills are ready abilities for task specific situations because entrepreneurs are expected to adapt their roles to the demands of the emerging business as they pursue opportunities (Chandler & Jansen, 1992).

On the other hand, ability relates to relevant experience that can be applied in different contexts and situations. This follows Davidsson (1991) submission that what constitutes ability depends largely on the context. In this study, ability includes resource recombination, process and product initiation, high perceptual ability regarding key environmental variables and the development of response mechanisms and a significantly strong desire to achieve the venture goal. From this distinction, we have shown the ability to have a deeper and wider intensity in its usage and

expected outcome. Those who possess skills and limited ability may be comfortable with average performance but people with higher ability are expected to perform better except where their abilities are not being utilised or the context is limiting its utilisation. It is the researcher's assumption that individuals can have skills with limited or no abilities but those who lack skills are very likely to lack abilities. Therefore, skills are prerequisites for having abilities. Gnyawali & Fogel (1994) show the link between the ability to start an enterprise and entrepreneurial and business skills and demonstrate that the latter do influence the former.

The relevance of previous start-up experience to starting and growing a business is widely acknowledged (Baum *et al.*, 2011; Shane, 2003; Stuart & Abetti, 1990) and this in the research assumption portends ready skills and abilities. Entrepreneurial experience is found to be the single most important factor influencing the outcome of the business start-up process (Rotefoss & Kolvereid, 2005) and even business performance at the early stage of a venture especially when such experience is task related (Stuart & Abetti, 1990). Not every entrepreneur will have the opportunity for business exposure prior to starting their own business. However, such opportunity could be very helpful in shaping the business start-up process. Knowledge acquired while observing others is referred to as vicarious learning. Vicarious learning specific to entrepreneurship is associated with a person's abilities to acquire information and skills relevant to the business start-up process and operations through observation (Bandura, 1986; Shane, 2003). This is closely linked to previous experience or tacit knowledge regarding start-up.

According to the findings by Baum *et al.* (2011) practical intelligence (comprising industry experience & venture experience as the situational applicable knowledge) have a positive relationship with business performance. Higher education is positively related to start-up attempt (nascent entrepreneurship), and both current and previous entrepreneurial experience is positively associated with the completion of the start-up process (Rotefoss & Kolvereid, 2005). While environmental resources are important, human resources (education and entrepreneurial experience) are generally pivotal and better predictors of the success of the business start-up. Holding the environmental factors constant; individuals with the requisite capacity are more likely to conclude the start-up process and ultimately become fledging entrepreneurs (Rotefoss & Kolvereid, 2005). While business education and experience lay the foundations for a successful career in business, task similarity (measured with a four-item scale, one of which is knowledge,

skill and ability (KSA) bundled together as a single item) is negatively related to profitability, whereas business similarity is positively related to venture growth (Chandler & Jansen, 1992). Each dimension of KSA is discussed in turn in the following sections.

### 2.8.1 Knowledge

Knowledge is about information, ideas, belief systems or approaches that work for a purpose and context when applied. Given the bundled view of knowledge taken by most studies with very few exceptions (Berthoin-Antal, 2000; Lipuma *et al.*, 2011), the need to extend understanding of knowledge using the typologies approach becomes expedient especially in an emerging economy such as South Africa where social-economic differentials appear to be significant and confer relative advantages among the citizens. Individuals that will discover, evaluate and exploit opportunities must have specific knowledge about the market, the people and the environmental variables, among others. Such knowledge might have been accumulated from previous experience in similar jobs, start-up experience, managerial experience, education, network, family sources, among others, that entrepreneurs could draw from when required. Both business and technical knowledge can enhance the potential for resource combination and create opportunity for growth.

Entrepreneurs will continuously update and acquire new knowledge because it is not fixed. Westhead, Ucbasaran, & Wright (2005) report that some serial entrepreneurs hardly respond to changing circumstances but rather utilise skills that worked well in their past businesses instead of diversifying their knowledge and information bases in the new business. In a competitive environment, knowledge can confer differential advantage (Shane, 2000) as compared with those whose knowledge is dated. Knowledge is the information and experience possessed by an individual and it is related to a specific domain (Fiet, 2007). Davidsson (2008) argues that perception, knowledge and skills differences among individuals may make it easier for some to access viable ideas than others. Entrepreneurs are likely to discover opportunities due to differences in prior knowledge (Shane, 2000; Venkataraman, 1997). Knowledge has been viewed from different perspectives among scholars and it can be specific and general, according to Fiet (2007). Specific knowledge is a subset of prior experience (and by extension, one of the factors

of ability according to the definition of ability in this study); it may be costly to acquire and transfer and can confer competitive advantage for those who have it.

General knowledge is widely and readily available, easier and cheaper to acquire through books, the internet and popular business processes. It can be codified into rules and procedures, but may be of limited competitive advantage (Fiet, 2007). Similar to the classifications just described, knowledge can be either explicit or tacit (Davidsson & Honig, 2003; Marvel & Droege, 2010; Taylor, 2007). Explicit knowledge is the same as general knowledge, it is codified and can be conveyed through processes, procedures, formal written rules and educational institutions. Tacit knowledge relates to know-how and is usually a non-codified aspect of entrepreneurial activity (Davidsson & Honig, 2003).

Similarly, other studies have viewed knowledge from social and human capital dimensions (Davidsson & Honig, 2003; Liao & Welsch, 2003). Human capital is associated with the dimensions of explicit and tacit knowledge (Davidsson & Honig, 2003), while social capital relates to embedded multiple relationships involving individuals, communities, networks and societies and can be classified as structural, cognitive and relational (Liao & Welsch, 2003). Mixed findings have been reported on the link between various knowledge dimensions with business performance (Berthelot, 2008; Colombo & Grilli, 2005; Davidsson & Honig, 2003; Marvel & Droege, 2010; Širec & Močnik, 2010). Findings by Kozan *et al.* (2006) show that know-how negatively impacts market expansion.

The approach in the current work is to view knowledge using typologies of *know-what, know-why, know-how, and know-who* (Berthoin-Antal, 2000; Lipuma *et al.*, 2011; Lubatkin, Florin, & Lane, 2001; OECD, 2000; Zook, 2004) and combine these with explicit knowledge relating to education and training. This approach draws on the existing literature on knowledge typologies especially the work of Lipuma *et al.* (2011). Such an approach will help in assessing entrepreneurs' knowledge in specific dimensions instead of generalising from education and experience, as it is done in some studies. Using such an approach encompasses the dimensions of *business* and *technical* knowledge because an entrepreneurs' knowledge is viewed beyond general management or what can be acquired in the class room or textbook alone. It is all encompassing.

The typology of *know-what* relates to the factual knowledge that enhances decision making and task completion according to Lipuma *et al.* (2011). For instance, knowledge relating to how to serve the markets is important for success and it goes to show why the business is in business (Marvel & Droege, 2010). Entrepreneurial *know-why* is axiomatic knowledge that individuals draw from in providing justifications for actions and events. It resonates with the strategic approach to issues. It provides answers to questions relating to organisational vision, direction and long term focus (Lipuma *et al.*, 2011). Knowledge about how the market functions (Marvel & Droege, 2010) could help organisations develop an appropriate strategy to achieve the set goals/vision. The typology of *know-how* is more about the knowledge of the procedures, activities, and tools of getting things done. It requires that entrepreneurs have ability to articulate the cause and effect of issues, largely in the tacit domain as it remains with individuals. Entrepreneurial '*know-how*' is the possession of skills, traits, or business knowledge for entrepreneurship (Carsrud & Johnson, 1989, p. 24). The typology of *know-who* is about the networks that individuals could access to get things done, such as getting help and support for business needs and growth. It is in the dimension of social capital availability, accessibility and utilisation. It is a demonstrated ability of having access to the right contacts when it is most required and beneficial. Different categories of knowledge that entrepreneurs are expected to possess are stated in Table 2.2 including the scope.

**Table 2.2: Knowledge Category for Small Business Entrepreneurs**

| **Knowledge Category** | **Definition/Scope** | **Relevant Sources** |
|---|---|---|
| Know What/factual knowledge | Understanding the reason for being in business and what it takes to achieve the set objectives/vision. | Baum, *et al.*, 2011; Berthoin-Antal, 2000; Lipuma *et al.* 2011; Lubatkin *et al.*, 2001; Zook, 2004. |
| Know Why/axiomatic knowledge | Understanding how the market functions and what it requires, including strategies to achieve set objectives. | Berthoin-Antal, 2000; Lipuma *et al.* 2011; Marvel & Dreoge, 2010. |
| Know How/tacit knowledge | Understanding the procedures, activities and tools required for getting things done in the business including knowledge about people, market, finances and material resources. | Baum, *et al.* 2011; Berthoin-Antal, 2000; Carsrud & Johnson, 1989; Kozan *et al.*, 2006; Krueger, 2007; Lipuma *et al.*, 2011. |
| Know Who/Social Capital | Knowledge about network resources i.e. social capital availability, accessibility and utilisation. | Berthoin-Antal, 2000; Davidsson & Honig, 2003; Liao & Welsch, 2003. |
| Education and Training | Previous education that lays the foundation for the KSA that are being used in the business. Continuous and relevant training that helps to enrich and diversify the knowledge and information bases. | Liao & Welsch, 2003; Westhead *et al.*, 2005. |

Source: Literature review

The assumption in the thesis is that entrepreneurs possess different types (categories) of knowledge that could confer differential advantages and may influence performance outcome, but our understanding of such relationship is still limited. Very few studies have addressed the knowledge typologies relevant to small business (Lipuma *et al.*, 2011). There is acknowledged differences in the distribution of knowledge in society (Hayek, 1945) and entrepreneurs are not different in this regard. The unique proposition in the current study according to Table 2.2 above is that knowledge typologies, previous education and training are considered without assuming that having one aspect of knowledge suffices as business knowledge and by extension for business success.

### 2.8.2 Skill

Skills are the capabilities to handle tasks as required. Abilities and skills are complementary but are not the same. Several key studies used a cluster approach to assess knowledge, skills and abilities (Baum *et al.*, 2001; Chandler & Jansen, 1992). McClelland (1985) argues that motives, when combined with skills, provide an important basis for what people do. Skills result from natural aptitudes (differential intelligence and training) and practice which an entrepreneur has accumulated by practising these skills (Herron & Robinson, 1993, p. 290). However, having knowledge and skill is one thing, using them to achieve the set goal under different conditions is another thing. This reinforces the importance of ability and self-efficacy in the utilisation of skills. Personal achievements require not only skills but self-belief in ones efficacy to use them appropriately (Bandura, 1993, p. 119). From the perspective of entrepreneurial behaviour, it is how individuals use the cognitive resources at their disposal that matters, not the characteristics of these individuals (Gartner, 1988). This explains why persons with the same knowledge and skills could have different performance outcomes (Bandura, 1993) due to differences in motivation and/or ability.

An entrepreneur's risk-taking propensity requires exercising enormous control over the decision making process and outcome, and skills serve as an important component of quality decisions (McClelland, 1961, p. 211). This may be linked to what Krueger (2007) referred to as 'expert' entrepreneur decision making where experience and skills play important role in behaviour. Therefore, entrepreneurial decision making and behaviour especially in relation to risk involves

good judgment rather than good fortune. This requires both skills and effort (McClelland, 1961). The perspective of skills in this study is related to the ability to effectively manage the day to day activities of the business and it is based on the self-assessed managerial competency approach (Chandler & Hanks, 1994; Chandler & Jansen, 1992) as lack of managerial skills may prevent growth; especially in small firms (Penrose, 1959).

Despite the importance of skills, empirical evidence linking it to performance has been mixed. Širec & Močnik (2010) could not find a correlation between human capital represented by tacit knowledge and skills with actual growth among Slovenian companies. Chandler & Hanks (1994) report a moderating influence of managerial competencies on the relationship between the quality of opportunity and venture performance. Baum *et al.* (2001) findings indicate that CEO's specific competencies (industry and technical skills) in addition to motivations and competitive strategies are direct predictors of venture growth. The need to investigate the relationship of skills (as a distinct cognitive factor) and business performance in the South African context becomes imperative. The study attempts to investigate which specific skills are required by small and medium scale enterprise owners based on existing literature as listed in Table 2.3 and the corresponding requirements that lay the foundation to develop such skills highlighted in the table.

**Table 2.3: Skills Category for Small Business Entrepreneurs and Requirements**

| Skills Category | Requirements | Relevant Sources |
|---|---|---|
| Getting money and people required for the business | Networking, training, practice | Baum *et al.*, 2001; Chandler & Hanks, 1994. |
| Organising and motivating people | Differential intelligence & training | Baum *et al.*, 2011; Chandler & Hanks, 1994; Herron & Robinson, 1993. |
| Supervise, influence and lead others | Differential intelligence, training and practice | Baum & Bird, 2010; Baum *et al.*, 2011; Chandler & Hanks, 1994; Herron & Robinson, 1993; Penrose, 1959. |
| Allocating resources to achieve set targets | Resource knowledge, practice, aptitude | Chandler & Hanks, 1994; Chandler & Jansen, 1992; Krueger, 2007; McClelland, 1961; Rotefoss & Kolvereid, 2005. |
| Connecting with people to help the business when necessary | Networking, emotional intelligence, practice | Davidsson & Honig, 2003; Liao & Welsch, 2003; McLaughlin, 2012. |

Source: Literature review

### 2.8.3 Ability

To function effectively in an entrepreneurial role requires that founders possess abilities to recognise (Kirzner, 1997), to search (Fiet, 2007) and to exploit (Shane & Venkataraman, 2000) opportunity. Such abilities require that the entrepreneurs are familiar with their market/s and know how to obtain key resources to actualise their goals. They must be capable of taking effective action on their perceptions and insights (Hofer and Sandberg, 1987) regarding problems and environmental changes (Mitchell, Smith, Seawright, & Morse, 2000). They must possess the ability to conduct internal re-organisations that may arise from increased business size and the ability to discover and exploit new growth opportunities (Covin & Slevin, 1997). In addition, they must have a long term perspective of the business and be able to bring it to a successful outcome (Chandler & Hanks, 1994). When abilities and motivation combine to determine behaviour, ability leads to quality behaviour (action) and motivation produces behavioural quantity (Herron & Robinson, 1993, p. 289). Motivation can determine whether abilities will be engaged, when, to what extent and the quality of outcome. Therefore, ability is not fixed but it is a *generative capability* where cognitive, social, motivational and behavioural skills are organised and effectively deployed *to serve numerous purposes* (Bandura, 1993, p. 118). Table 2.4 captures different categories of abilities. Ability is about the *qualities of being able to effectively and efficiently engage in business activities*. Some of these abilities are listed in the table below. While they are not exhaustive, they are necessary to run successful enterprise.

**Table 2.4: Abilities of Small Business Entrepreneurs and Key Characteristics**

| Abilities Category and Characteristics | Relevant Sources |
|---|---|
| Ability to **handle** things based on past **experience** | Baum & Bird, 2010; Baum *et al.*, 2001; Chandler & Jansen, 1992; Covin & Slevin, 1997; Davidsson, 1991; Ericsson & Charness, 1994; Gatewood *et al.*, 2002; Krueger, 2007. |
| Effectively and efficiently **combining** resources to **achieve** performance targets | Bandura, 1993; Baum *et al.*, 2011; Chandler & Hanks, 1994; Davidsson, 1991; Krueger, 2007; Stuart & Abetti, 1990. |
| **Initiating** and **developing** products and services that are **technically superior** | Baum *et al.*, 2011; Covin & Slevin, 1997; Chandler & Hanks, 1993 & 1994; Rauch & Frese, 2007; Shane & Venkataraman, 2000. |
| **Recognising** the needs of a changing environment | Baum *et al.*, 2001; Covin & Slevin, 1997; Fiet, 2007; Hofer & Sandberg, 1987; Kirzner, 1997; Shane & Venkataraman, 2000; Utsch & Rauch, 2000. |
| High level financial **management** ability for competitive advantage | Chandler & Hanks, 1994; Xavier *et al.*, 2012. |
| High internal **drive** to see the business to fruition and success | Baum *et al.*, 2001; Chandler & Hanks, 1994; Chandler & Jansen, 1992; Shane *et al.*, 2003. |

Source: Literature review

Abilities, as used in this context are induced by training, practice and previous experience. They are specific to entrepreneurial endeavours and related to the capability to perform specific and general activities under different contextual situations. Ability is viewed as an entrepreneurial competence for performing well in an entrepreneurial role contingent on an entrepreneurs' familiarity with the market opportunities and advantages. This requires environmental scanning, opportunities selection, strategy formulation, initiation and development of products and services that are technically superior (Chandler & Hanks, 1993, 1994). Feedback is found to influence entrepreneurial abilities regarding future business start-up (Gatewood *et al.*, 2002). Feedback gives information about previous performance and experience that can be deployed when necessary in future business activities. Ability can influence growth motivation, and it is important to realise business goals as much as it depends on the context (Davidsson, 1991). Though in certain instances, empirical findings linking experience with performance have not produced strong evidence (Chandler & Jansen, 1992; Stuart & Abetti, 1990).

Furthermore, the literature has not been able to identify specific measures of KSA but does so rather broadly or in clusters. There is, therefore, the need to examine the influence of KSA as a range of distinctive cognitive factors and their interactions with business performance. The key characteristics of abilities as manifested in Table 2.4 are: *handle*, *experience*, *combine*, *achieve*, *initiate*, *develop*, *recognise*, *manage finance* and *drive*. In this regard, while knowledge about

network resources may still be knowledge as it were, a skilled entrepreneur can connect with people to help the business when necessary in the process of translating what he/she knows to manifest as skills. However, abilities bring such behaviour to reality with a superior outcome, all things being equal. Also, while resource allocation requires skills, abilities translate skilful resource allocation into '*products and services that are technically superior*' in a consistent manner. Such performance is a manifestation of entrepreneurs having the internal drive to achieve the set goals. It allows the entrepreneurs to promptly 'recognise' the need, act on their instinct, 'initiate' and 'develop'. These are important distinctions between skill and ability as conceptualised in this study.

Though the line of distinction between skill and ability may appear blurred and is often used interchangeably by scholars and public commentators, this study attempts to make some distinctions. In emphasising the distinction between skill and ability, the study argues that having skill alone may not put small and medium scale entrepreneurs on a higher pedestal over and above their peers. They need to develop their abilities to do things consistently in a superior manner. Ability sets the entrepreneurs on a higher pedestal of superior performance if they are able to recognise the need of a changing environment ahead of peers, develop technically superior services and products consistently because they have a higher internal drive. There cannot be ability without skill and knowledge as they lay the foundation for abilities to be developed. While skills are products of training, experience, aptitude, resource knowledge, mentorship, practice and networking, abilities are products of knowledge, skills and experience effectively combined to serve business needs in time. In sum, entrepreneurs that desire superior performance and satisfaction need to develop their abilities. Ability transcends knowledge and skill and manifests as superior output, consistent quality, excellent service delivery, enterprise success and personal satisfaction for those who have it. Abilities are qualities of being able to carry out business activities with consistent outcomes and superior results despite contextual considerations.

The next section discusses some contra arguments relating to KSA in line with what has been discussed in the preceding sections.

## 2.9 Contra Arguments on Cognitive Factors

### 2.9.1 Specialisation and Cognitive Inhibitions:

Contrary to widely-held views that specialised experience influences performance and success both at start-up and in the growth stages (Baum *et al.*, 2011; Rotefoss & Kolvereid, 2005), there are pointers indicating that excessive specialisation can inhibit cognitive insight (Baumol, Litan, Schramm, & Strom, 2011; Chandler & Jansen, 1992). According to Chandler & Janzen, while individual founders believe in their technical expertise/competence, the years spent in technical positions appear not to be strongly correlated with perceived technical competence (p.233). Individuals that are highly specialised may also exhibit cognitive bias, conjunctional fallacy, and may even be cognitive 'misers' in decision making (Curseu, Vermeulen, & Bakker, 2008; Fiske & Taylor, 1991) and, therefore, are not utilising their KSA in such a manner that can best serve the business, especially when they have limited aspirations/needs to fulfil.

### 2.9.2 The 'marginal' Individuals:

The *marginal men and women* are those with lesser education that work for greater business success that compensates for what they lack in education in their business. A factor such as limited education could make the disadvantaged entrepreneur work harder to attain a higher level of business success. Successful entrepreneurs have been found to be younger, less educated, have spousal support and work harder than unsuccessful entrepreneurs (Brockhaus, 1980a, p. 371).

### 2.9.3 The Age Effects:

Though the liabilities of newness, sameness and adolescence serve as indicators of business age effects in the start-up and growth process, entrepreneurs as key decision makers may experience retardation both in the way they think and perceive things as they are aging, and these can have negative effects on both the decision making and the quality of actions. The normative assumption is that as people age, skills and/or abilities should increase, but knowledge may be dated if not continuously updated in a rapidly changing business environment. However, Davidsson (1991) argues using the Needs hypothesis that an older individual (owner manager) is likely to have a lower objective Need for additional income, as aspirations also decline with age. In addition, Davidsson opines that the negative relationship between the length of tenure as CEO

and business growth can be heightened due to aging. In addition, experienced entrepreneurs (serial and portfolio) can manifest liabilities (sameness) in terms of dulled/diminished motivation, hubris and denial (Westhead *et al.*, 2005). The truth is humans have finite capacity for acquisition and/or use of KSAs as they age.

### 2.9.4 Brain Drain versus Brain Gain:

The capacity and resources endowments of small versus large businesses differ. Small firms generally have limited human, financial and technical resources compared to large firms. Importantly, where there is capacity gap, a growing number of small firms in developing economies may not have the financial resources to attract and retain the best of talents. Often, they employ and train low skilled employees but are likely to lose them sooner to competitors who can afford to pay better salaries and remunerations after the employees have acquired some experience and attained some degree of competence. There may be zero-sum scenario; the loss of talents by small firms may be talent gain in large firms who have more resources and expertise to attract and retain the best talents.

There is now global war for talents. At cross country level, immigration policies are being used by nations to attract people with the requisite KSA especially from developing and emerging economies to developed economies and the former may be subjected to 'brain-drain' in the short to medium terms. Many immigrants are known to start fledging enterprises in their new countries of residence. Brain drain has implications for the supply of competent entrepreneurs establishing businesses in developing and emerging economies as well as the supply of competent employees working for small firms in these economies.

## 2.10 Context: An Environment for Enterprise Performance

The idiosyncratic nature of context, comprising different institutional dimensions that can influence individual behaviour, has allowed it to attract scholarly interests in management, social sciences and entrepreneurship. The relevance of context to entrepreneurship development and enterprise performance, though long recognised in the literature, (Aldrich, 1990; Baumol *et al.*, 2011; Chandler & Hanks, 1994; Davidsson, 2008; Gartner, 1985; Stinchcombe, 1965), has largely been focused on the most suitable contextual arrangements with which to stimulate

starting new ventures, enhancing the performance of existing businesses and increasing productivity and the productive capacity of the economy. In this instance, context is expected to 'stimulate' or 'support' a number of related and yet distinct enterprise and economic development goals (Acs, Arenius, Hay, & Minniti, 2005; Baumol, 1990; Baumol *et al.*, 2011; Gnyawali & Fogel, 1994; Stiglitz, 2012). This means that while a context is desired to generate more start-ups, another may be suitable to support existing business growth and some others may be required to serve several of these and other social, political and economic goals.

In South Africa, the post-apartheid government intends to reduce poverty, inequality and unemployment through enterprise promotion, especially through empowerment of the previously disadvantaged citizens and thus stimulating economic growth (DTI, 2006). There seems to be an emerging pattern skewed in favour of some classes of entrepreneurs in the society with the reported prevalence of opportunity seeking entrepreneurs (Acs *et al.*, 2005), low total entrepreneurial activity compared with selected African economies (Herrington *et al.*, 2009) and increasing unemployment and inequality (World Bank, 2009). Given such an observed pattern, there may be two possibilities. The 'duality' of opportunity versus necessity entrepreneurship might cloud the contributions of other categories of entrepreneurs who have transited beyond their initial motives or are running multiple businesses. The second possibility is that the context may be more favourable to a class of entrepreneurs allowing them to thrive. This is because entrepreneurs generally act differently depending on their institutional setting (Bruton *et al.*, 2008, p. 11). Literature focusing on the environment is grouped into three broad categories: general environmental conditions for entrepreneurship; descriptive studies of the environmental conditions of a particular country or region; and the role of public policy in shaping the entrepreneurial environments (Gnyawali & Fogel (1994, p.45).

At country level, studies linking context to entrepreneurship have demonstrated that favourable context can stimulate more start-ups and strategic entry (Gnyawali & Fogel, 1994; Levie & Autio, 2011) increase the rate and quality of innovation (Autio & Acs, 2010; Baumol *et al.*, 2011) and allocate entrepreneurial efforts (Baumol, 1990; Bowen & De Clercq, 2008; Sautet, 2013). Literature has associated possibility of high survival rate of businesses, patterns of exit and re-entry, higher efficiency, greater business density and opportunity seeking entrepreneurship with the business environment (Acs *et al.*, 2005; Bosma *et al.*, 2012; Levie &

Autio, 2011; Shane, 2003; World Bank, 2013a). Internationally, context has become an important measure of ease of doing business (World Bank, 2012a), inflow of foreign direct Investment (FDI) and presence of venture capitalists (Bosma & Levie, 2009; Bowen & De Clercq, 2008; Jadhav, 2012; Sobel, 2008), as well as measurement criteria for stages of economic growth, competitiveness and sustainability (WEF, 2012). Context with minimal regulation (light) tends to generate faster business growth than a heavily regulated context (Capellaras, Mole, Greene, & Storey, 2008); while the presence of some negative contextual factors within an economy could promote '*destructive*' entrepreneurship (Baumol, 1990).

Community context is demonstrated to have influence on the entrepreneurial process. The diagnostic tool developed by Hindle (2010) views community as an intermediate environment containing factors that can constrain or advance an entrepreneurial event, and this includes physical and human resources. In other words, a community intermediate environmental context is capable of some degree of control by the human agent but also in exercising some degree of control over the agent. The intermediate environment also functions within the larger macro environmental context. A community is

> any context where a self-defined group of people see their mutual belonging to the community as distinguishing them (but not excluding them) from all other members of society at large and where continued membership of the community is valued highly enough to impose some constraints on behaviour
>
> (Hindle, 2010, p. 608).

Community ranges from small in size, narrow in focus (a community of grocery sellers) to vast and broad communities (such as a country - South Africa). Community imposes certain contextual constraints on the entrepreneurial process that the business owners may have to grapple with. In the opinion of Sautet (2013), an inability to turn constraints into variables (though some constraints cannot be transformed) in poor countries accounts for the preponderance of local entrepreneurship (mostly informal but productive) with little or no systemic entrepreneurship that is capable of bringing the much desired social change and development to poor economies.

At company level, existing literature has linked contextual factors such as hostility, dynamism and turbulence in the environment to small business performance (Covin & Slevin, 1989; Kozan *et al.*, 2006; Solymossy, 1998). Other approaches place emphasis on company and industry contextual structures and variables that can help organisations gain a competitive advantage. This includes but is not limited to entry barriers, buyer and sellers composition, and competition (O'Regan, Kluth, & Parnell, 2011). O'Regan *et al.* (2011) find little evidence to support the link between a competitive environment (overall industry) and company performance. Whereas Hmieleski & Ensley (2007) findings indicate that environmental dynamism is pivotal in new venture performance especially when team heterogeneity and leadership behaviours are considered. While good insights have been gained from studies on company level strategic management measures of context in developed economies, questions regarding the suitability of such measures for companies operating in emerging economies have been raised (Bruton *et al.*, 2008; Xu & Meyer, 2013).

At an individual level, scholars have argued that contextual variables such as culture, family upbringing, amongst others, do influence people's decisions to start and grow businesses (Gnyawali & Fogel, 1994; Herron & Robinson, 1993; Shane, 2003). Gnyawali and Fogel show that individuals with a low propensity to enterprise but a high ability to enterprise can be influenced through policies and activities promoting an enabling social context. Herron and Robinson demonstrate that an external environmental structure can affect entrepreneurial behaviours and venture performance. Some empirical findings using the Global Entrepreneurship Monitor (GEM) data show that given a suitable context, more entrepreneurs will start businesses (Levie & Autio, 2011), innovate and aspire for growth (Autio & Acs, 2010). Entrepreneurial leadership literature also points to the influencing power of contextual factors on leadership behaviours (Hmieleski & Ensley, 2007). In this study, context is defined as the environment that stimulates entrepreneurial behaviours and sets the requirements that link the behaviours with performance (Herron & Robinson, 1993). Context provides the behavioural foundation connecting entrepreneurial activities and performance. It includes economic, socio-cultural and political considerations with multidimensional roles of activating, stimulating, enabling or curtailing entrepreneurial events, behaviours or activities. It has the potential for expanding or constraining entrepreneurial activity.

The context of entrepreneurship at a societal or general level does not change quickly according to Bird (1989, p. 138) and includes economic, political, and technical "givens" of any moment historically in any location, spirit of the times, and the cultural milieu. In some societies in Africa, some people or ethnic groups have a greater entrepreneurial proclivity than others. For instance, entrepreneurship is largely embedded among the Igbo and Yoruba ethnic communities in Nigeria. This includes the involvement of women and children in business across different age groups. While in certain instances entrepreneurs can cause institutional change by what they do (Henrekson & Sanandaji, 2011), individual entrepreneurs differ in their makeup and these differences make them respond differently to contextual incentives or constraints. Therefore, some are more successful than others, some discontinue one line of businesses and move to another and some others may exit altogether. Business exit and re-entry could however provide important experience for entrepreneurs and form the basis to stimulate innovative enterprises in the economic environment (Hessels *et al.*, 2011). While context matters, it will not create the business or guarantee successful enterprises without the person (entrepreneur). Achieving business success without a *suitable* context may equally be challenging for most entrepreneurs. The interactions of the person and context portends high potential for better entrepreneurial outcomes.

It is widely acknowledged that context acts as a catalyst for entrepreneurial behaviour because it predisposes people to engage in entrepreneurial activity (Gnyawali & Fogel, 1994; WEF, 2012; World Bank, 2013b; Xavier *et al.*, 2012). While individual characteristics assist us to predict behaviour as previous studies have shown (Brockhaus, 1980b, 1982; McClelland, 1961; Sexton & Bowman, 1986), such prediction is prone to error without considering the context (Carsrud & Johnson, 1989; Gartner, 1989; Low & MacMillan, 1988; Lumpkin & Dess, 1996). Importantly, people can have similar characteristics but can make different choices. In that circumstance, some succeed while others don't. In developed industrialised nations such as the US, laws and regulations that make it easier for people to start new ventures are well developed and constantly evolving to meet the needs of entrepreneurs (Baumol *et al.*, 2011); but in developing and emerging economies, entrepreneurs are known to face the challenges of underdeveloped institutional frameworks/legal systems (Naude, 2011; Sautet, 2013; Xavier *et al.*, 2012).

Though a country's macroeconomic dynamics determine the level of aggregate entrepreneurial activity, the rate of economic growth may not be a perfect determinant of the level of entrepreneurial activity within the country, due to the existence of a U-shaped relationship between entrepreneurial activity and per capita gross domestic product (GDP) as GEM findings have shown (Acs *et al.*, 2005, p. 12). In contrast, Naude (2011) argues that entrepreneurship, while it may be necessary, is not a binding constraint on growth and development in the poorest countries, meaning that there are other factors leading to growth especially context-specific institutional arrangements. Both studies have implications for policies to promote entrepreneurship in developing and emerging economies on the one hand and growth and development on the other. Promoting entrepreneurial activity may be very important and rewarding in addressing economic imbalances, poverty and inequality, even when the overall economic growth is not at its peak. Also, addressing macroeconomic variables and the development of critical institutions are necessary (though may not be sufficient) for entrepreneurship, growth and development.

The central theme of most contextual discourse in the literature on entrepreneurship has been around the institutional framework (Baumol, 1990; Busenitz *et al.*, 2000; Naude, 2011; WEF, 2012; Wright, Filatotchev, Hoskisson, & Peng, 2005; Xavier *et al.*, 2012). Institutional characteristics, socio-culture, political and regulatory environment, macroeconomic policies, education and demographics are important contextual factors that can help in shaping the level of entrepreneurial activity and economic growth within a country (Acs *et al.*, 2005; Baumol, 1990; Baumol *et al.*, 2011). However, due to the imperfect nature of the market, policy makers may have to intervene to attune contextual variables to serve specific policy objectives, and this means changing '*the rules of the game*' as necessary (Baumol, 1990, p. 19). Stimulating entrepreneurial activity, for instance, requires that specific policies are put in place that can influence entrepreneurial behaviour. When societal context is made *suitable* through policies, what about individuals that are supposed to take advantage of such policies? In Baumol's view, societal values that stimulate productivity growth are worth promoting using policy. This may mean intervention by the state with a view to protecting, regulating, and promoting the coordination and functioning of capital accumulation, the markets, and wage labour in order to achieve policy objectives (Lin, 2011, p. 66). While society desires that entrepreneurship be

productive, Baumol's (1990) thesis has pointed out that it may not always be the case and in fact not a binding constraint (Naude, 2011).

The following sections further elaborate on these contextual issues and proceed as follows: a review of relevant cross-country indicators, and a discussion on emerging economic context focusing on economic, socio-cultural and political dimensions.

### 2.10.1 Global Competitiveness, Regulation and Entrepreneurial Activity

Significant efforts have been made regarding the development of indicators that can be used to compare cross-country environment for business and entrepreneurship globally. Of relevance to the current study are: The global competitiveness index (GCI) published by the World Economic Forum (WEF); the Global Entrepreneurship Monitor (GEM) published annually by the Global Entrepreneurship Research Association (GERA); and Doing Business Index (DBI) published by the World Bank (WB) and International Bank for Reconstruction and Development (IBRD). The indexes focus on competitiveness, business regulatory environment and entrepreneurial activity respectively and are discussed in the following sections.

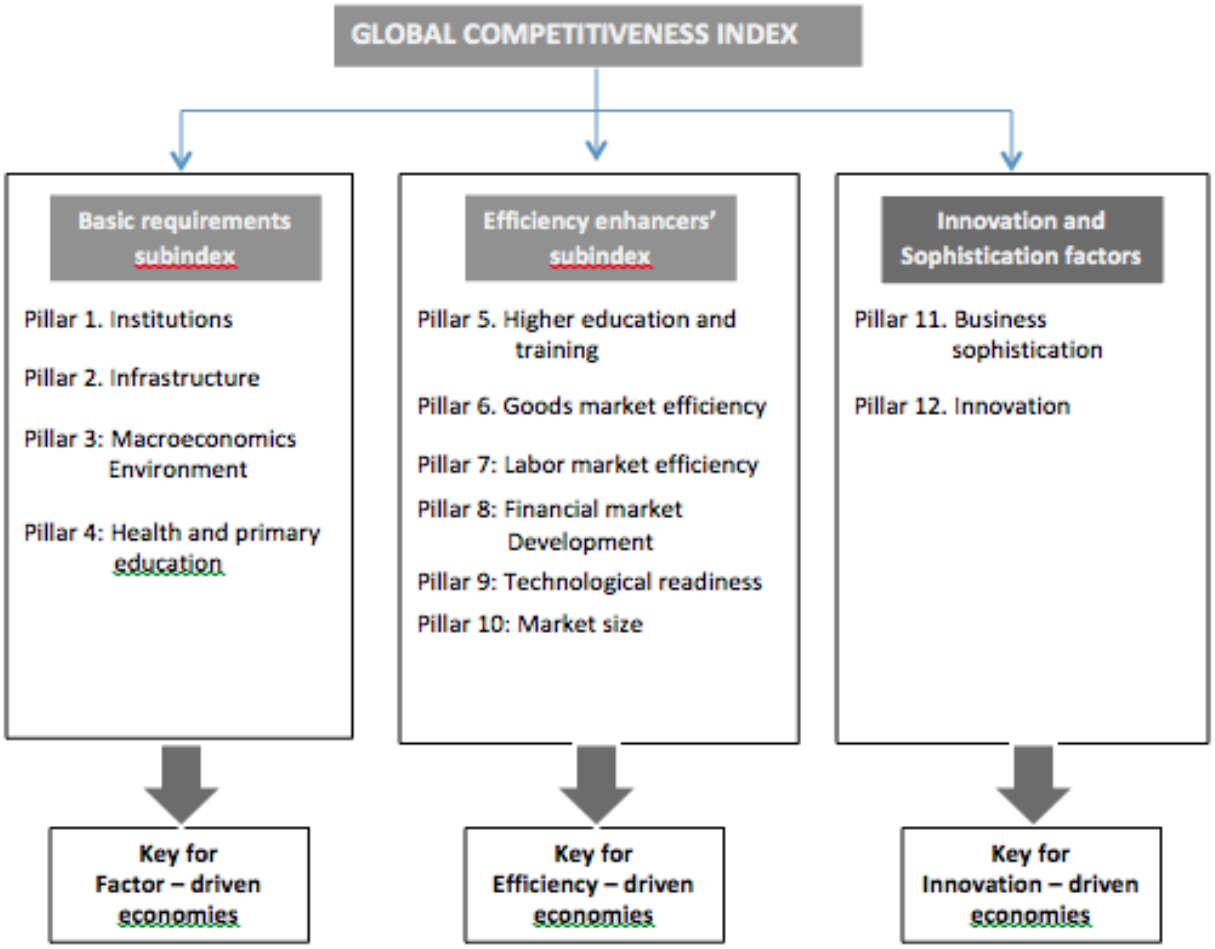
#### *2.10.1.1* Competitiveness and Stages of Economic Growth:

The Global Competitiveness Index (GCI) classifies entrepreneurial economies according to the stages of economic development based on GDP per capita and the share of exports comprising primary goods. Economies are described based on which phase of economic development they belong to using the GCI twelve pillars of global competitiveness measure. The pillars are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation (WEF, 2012, 2015). The three different sets of terminologies used to characterise the process and level of entrepreneurship in different countries are:

*Factor-Driven Stage*: This phase is dominated by subsistence agriculture and the extraction of natural resources. There is heavy reliance on (unskilled) labour and the development efforts are geared towards building a sufficient foundation of basic requirements such as institutions, infrastructure, macroeconomic stability, and health and primary education.

*Efficiency-driven Stage*: Economies at this stage of development exhibit increased industrialisation and economies of scale. Large firms dominate with a capital-intensive production system, but supply chain niches open up for small and medium enterprises to explore. Efforts tend to focus on developing the efficiency enhancers because economies at this stage need to develop improved quality products driven by more efficient production processes.

*Innovation-driven Stage*: This is the most advanced stage and it is characterised by research and development (R&D), knowledge intensity, and an expanding service sector. The economies at this stage of development are driven by knowledge with a greater potential for innovative entrepreneurial activity. Given the expected innovation and sophistication, labour is equally expensive. The foundation of basic requirements and efficiency enhancers in the other two stages are maintained but may not be sufficient at this stage. Continuous efforts are directed at the entrepreneurship-specific framework conditions that engender dynamic, innovation-oriented behaviour. Figure 2 below shows the GCI 12 Pillars and their link with different stages of economic growth.




Source: Global Competitiveness Report 2015-2016 (WEF, 2015, p. 6).

**Figure 2: The Global Competitiveness Index (GCI) Framework**

Based on the GCI classification, South Africa is recognised as an efficiency-driven economy. South Africa ranked 49 out of 140 countries in 2015, the second highest-ranked country in sub-Saharan Africa after Mauritius and the third-placed among the BRICS economies. The economy gained upward movements from 52 in 2012 and 56 in 2014, that have been attributed to increased uptake in ICTs (WEF, 2015, p. 30). Also, a trend analysis from 2012-2015 indicated that the economy has consistently good rankings in the quality of its institutions, goods market efficiency, financial market development, market size, business sophistication among others[3]. However, in 2015 like the previous years, the rankings are not so impressive in key indicators (under different pillars) such as favouritism in decisions of government officials (105th), burden

[3] Different GCI Reports available at www.weforum.org/gcr

of government regulations (117th), business cost of crime and violence (131st), quality of electricity supply (116th), cooperation in labour-employer relations (140th), pay and productivity (127th), quality of the education system (138th) among others (WEF, 2015, p. 327).

For entrepreneurs, the efficiency enhancers are important for competitiveness. Recognising pillars such as goods market efficiency, labour market efficiency, technology readiness and market size may be important business resources. It is expected that quality labour and technology can help drive innovation in business and the economy as a whole. In the opinion of the GCI, the twelve pillars are interrelated, even though they may appear independent, they tend to reinforce one another. Importantly, weakness in one area often has a negative impact in others. Although the pillars are aggregated into a single index, careful analysis of the details is necessary to have a sense of the specific areas that need improvement in a particular country.

Historically, most economies started from factor-based economies through which they transited to become manufacturing economies and subsequently service economies often described as the 'Washington Consensus'. A similar development trajectory is usually prescribed for developing and emerging economies. However, China's rising growth over many decades without totally embracing a Western liberal capitalist approach to development has challenged practitioners, policy makers and theorists to rethink existing conceptual and theoretical approaches regarding the ideal development path for emerging economies and economies in transition (See Fligstein & Zhang, 2011; Lin, 2011).

#### *2.10.1.2* Business Regulatory Environment:

*Doing Business* is an important business environmental measure developed and published annually by the World Bank in association with the International Bank for Reconstruction and Development (IBRD). It encompasses two types of indicators, relating to the strength of legal institutions relevant to business regulation, and the complexity and cost of regulatory processes. In all, there are eleven sets of quantitative indicators. The complexity and cost of regulatory process indicators include: starting a business, dealing with construction permits, getting electricity, registering property, paying taxes, and trading across borders. The second group of indicators; the strength of legal institutions comprises getting credit, protecting investors, enforcing contracts, resolving insolvency and employing workers (World Bank, 2013b, p. 22).

Performing poorly in the Doing Business ranking has some implications for the development of enterprises within a particular country. For example, non-effective and poorly developed legal institutions could limit the rate at which people enter into a contract, and by extension business enterprises. In addition, such institutions have the potential to limit the rate and extent of innovation especially where intellectual property is not well protected. As a corollary, a strong legal institution is only useful for the development of enterprises when they are accessible and affordable by entrepreneurs. In other words, a regulatory process that is unduly cumbersome, costly, and inefficient will limit the rate at which businesses will be set up, their manner of conformance to rules and regulations, and the transition from informal to formal businesses. It is therefore relevant for countries desirous of promoting business growth and entrepreneurship to constantly evaluate the effects of some of these indicators on the development of entrepreneurship within their specific contexts.

South Africa has progressively dropped from 28th in 2006 Doing Business ranking to 36th in 2010, 41st in 2013, 69th in 2014, and 74th in 2016 respectively[4]. The trend analysis of South Africa Ease of Doing Business over a ten-year period, being an efficiency driven economy is not so impressive by regional standards, when compared with other African countries like Mauritius, Rwanda and Botswana. In 2016, it takes less than six procedures (5.5) and about seven (6.5) days to register and start a new business in Mauritius (Africa's top performer in Doing Business 2016) but takes seven procedures and forty-three days to do the same in South Africa. In Rwanda, business start-up procedures are five and can be concluded within four days. Much fewer days are required in Mauritius, Rwanda and Egypt to conclude export procedures than in South Africa (World Bank, 2017).

In both developed and developing economies, the rate at which people start and grow business depends largely on individual and contextual factors. There is a correlation between a country's institutional environment and the allocation of entrepreneurial efforts (Bowen & De Clercq, 2008). In Africa, access to finance by enterprises is largely constrained and an inability to access finance may limit an entrepreneur's intention or ability to start and grow a business. Largely, the business regulatory environment could impact on decision making by entrepreneurs regarding

[4] Reports for different years are available at http://www.doingbusiness.org/reports

risk taking, activity planning due to transactional dynamics and the time frame required to complete specific regulatory requirements within their context, among others. This submission resonates with institutional theory that argues that the institutional environment largely influences the behaviour of individuals and firms in which they are embedded (North, 1990; Scott, 2013).

Having a high ranking is not an indication of a lack of regulation but rather more regulation is a prerequisite to high ranking especially if the regulations strengthen the ease of doing business and reducing the burdens of doing business on different economic actors. Doing Business recognises the role of government in private sector development towards ensuring enabling environment for business. Doing Business indicators have several important limitations. It does not measure institutions that affect the quality of the business environment in an economy or its national competitiveness. It does not cover aspects of security, bribery and corruption, market size, macroeconomic stability, the state of the financial system, the level of training and skills of the labour force, costs and benefits of a particular law or regulation to society among several others. Therefore, rankings on the ease of doing business do not tell the whole story about the environmental context affecting business performance in emerging economies (World Bank, 2013b, pp. 22-23).

#### *2.10.1.3* Entrepreneurial Activity:

Given the importance of context and the rate at which it can impact entrepreneurship at the country level, the Global Entrepreneurship Monitor (GEM) identifies nine 'Entrepreneurial Framework Conditions" (henceforth known as EFCs) that can hinder or stimulate entrepreneurship activity within a country (Xavier *et al.*, 2012, p. 35). These conditions are: entrepreneurial finance; government policy, government entrepreneurship programmes, entrepreneurial education, research and development (R&D) transfer, commercial & legal infrastructure, entry regulations, physical infrastructure, and cultural and social norms. Table 2.5 provides more details on the GEM nine EFCs:

**Table 2. 5: The GEM Entrepreneurial Framework Conditions (EFCs)**

| | | |
|---|---|---|
| **Entrepreneurial Finance**: The availability of financial resources, equity, and debt, for new and growing firms, including grants and subsidies. | **Government Policy**: The extent to which government policies, such as taxes or regulations are either size- neutral or encourage new and growing firms. | **Government Entrepreneurship Programs**: The extent to which taxes or regulations are either size-neutral or encourage new and growing firms. |
| **Entrepreneurial Education**: The extent to which training in creating/managing new, small or growing business entities is incorporated within the education and training system at all levels. There are two sub-divisions – primary and secondary school entrepreneurship education and training; and post-school entrepreneurship education and training | **R&D Transfer**: 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. | **Commercial and Legal Infrastructure**: The presence of commercial, accounting and other legal services and institutions that allow or promote the emergence of small, new and growing business entities. |
| **Entry Regulations**: There are two sub-divisions – market dynamics, i.e. the extent to which markets change dramatically from year to year; and market openness, i.e. the extent to which new firms are free to enter existing markets. | **Physical Infrastructure**: Ease of access to available physical resources – communication, utilities, transportation, land or space – at a price that does not discriminate against new, small or growing firms. | **Cultural and Social Norms**: The extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities which might, in turn, lead to greater dispersion in personal wealth and income. |

Source: GEM 2012 Global Report, (Xavier *et al.*, 2012, p.35)

The EFCs place a high premium on the role of government especially in providing infrastructure, regulation and programmes. Important emphasis is placed on the availability and participation of private sector actors in the economy and social cultural norms. Generally institutional contexts such as: social, cultural and political variables feed into the nine EFCs in the GEM conceptual framework. Some selected indicators of entrepreneurial activities (the activities of nascent and business owners of young firms through the creation or expansion of economic activity) as measured by GEM are presented in the Table 2.6.

**Table 2. 6: Entrepreneurial Activity across Selected African Countries, 2016**

| Country | Nascent Entrepreneurship Rate (%) | New Firm Ownership Rate (%) | TEA (%) | Established Business Ownership Rate (%) | Discontinuance of Business (%) |
|---|---|---|---|---|---|
| South Africa | 3.9 | 3.3 | 6.9 | 0.7 | 2.5 |
| Burkina Faso | 21.2 | 13.5 | 33.5 | 0.6 | 28 |
| Cameroon | 17.8 | 10.9 | 27.6 | 1.2 | 15.2 |
| Egypt | 8.2 | 6.6 | 14.3 | 2 | 6.1 |
| Morocco | 1.3 | 4.3 | 5.6 | 0.5 | 7.5 |
| Regional Average | 10.5 | 7.7 | 17.6 | 11.9 | 12.7 |

Source: GEM 2016/2017 Global Report available at www.gemconsortium.org

Important insights from Table 2.6 above show that South Africa, compared with other countries in the sub-Saharan African region recorded a not so impressive performance in the nascent entrepreneurship rate: Percentage of adult population (18-64 years) who are actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months; new firm ownership rate (Percentage of adult population who are currently owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months), total early stage entrepreneurial activity-TEA- (TEA is the percentage of the 18-64 year-old population who are in the process of starting (nascent entrepreneurs) or are already running new businesses (owner-managers), established business ownership rate (Percentage of 18-64 population who are currently owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months) and discontinuance of business (Percentage of 18-64 population who have, in the past 12 months, discontinued a business, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business but not a measure of business failure rates) as defined by GEM (Bosma & Levie, 2009, p. 61).

From the selected African countries in the 2016/2017 Global GEM report, Burkina Faso scored the highest in terms of nascent entrepreneurship rate (21.2 percent), new firm ownership (13.5 per cent) and TEA (33.5 per cent) followed by Cameroon and Egypt. South Africa was in the distant fourth position in terms of nascent entrepreneurship rate and TEA. The established business rate is generally low for all the countries. In 2016, South Africa had new firm ownership rate of 3.3 per cent, established business ownership rate of 0.7 per cent and business discontinuance rate of 2.5 per cent. In other words, the economy loses about 63 per cent of business founded within a twelve-calendar month period. Although discontinuance is not synonymous with failure. People may discontinue businesses for various reasons. However, South Africa is far below the regional average across all measures in Table 2.6.

Also, different GEM reports from 2009 to 2012 have cited primary and secondary education, government programmes, and government regulations as the most negatively impacting contextual factors on entrepreneurial activity in South Africa (Herrington *et al.*, 2009; Xavier *et*

*al.*, 2012). Table 2.7 below shows GEM EFCs valued most negative (-) and positive (+) for South Africa between 2009 and 2012.

**Table 2. 7: GEM EFCs valued most negative (-) and positive (+) for South Africa, 2009-2012**

| GEM Variables | 2009 | 2010 | 2012 |
|---|---|---|---|
| Primary and secondary education | Negative | Negative | Negative |
| Government programmes | Negative | Negative | Negative |
| Research & development transfer | Negative | Negative | N/A |
| Government regulations | N/A | N/A | Negative |
| Commercial infrastructure | Positive | Positive | Positive |
| Physical infrastructure | Positive | Positive | Positive |
| Internal market- dynamics | N/A | Positive | Positive |
| Education- post secondary | Positive | N/A | N/A |

Source: Compiled from various GEM reports (2009-2012) available at www.gemconsortium.org

The GEM reports from 2009-2012 reveal that South Africa shows good standing in areas such as physical and commercial infrastructure and improvement in internal market dynamics. Post-secondary education is no longer in the top most three in 2012, and government regulations is now among the most negatives. Similarly, GEM South Africa experts' surveys have consistently identified financial support, government policy and education and training as the three key factors constraining entrepreneurship in South Africa (Herrington *et al.*, 2017).

In addition, South Africa's Department of Basic Education (2011) in a report on the increasing rate of school dropouts and learner retention, further illustrates the challenges in basic education and social economic disparities in South Africa as follows:

- The overall low performance of students of high-school in mathematics and science
- South Africa's repetition rate is much higher compared with the average level in primary schools for developing and developed countries. Repetition is greater in higher grades than in the lower grades and higher among male than female learners. In 2007, a third of children at school had repeated a grade.
- There is 60 per cent retention of learners in grades 9-12 and 40 per cent dropouts.
- There is a wide disparity in educational achievement among students of different racial and socio-economic backgrounds. Some students are reported to delay their attendance at secondary schools for some economic reasons.

The implication of poor basic education for entrepreneurship is enormous. An inadequately educated workforce is not likely to start high-growth businesses and may not support the entrepreneurial endeavours of established business owners. By extension, skills shortages may have serious negative effects on sustainable entrepreneurship in the country, even when physical and commercial infrastructures are available. GEM research has consistently indicated a link between educational attainment and successful enterprises (Autio, 2007; Morris, 2011).

In terms of government programmes, a number of institutions and programmes have been set up by the South African government through the Department of Trade and Investment (DTI), Department of Agriculture, Forestry & Fisheries (DAFF), Department of Economic Development and Tourism in addition to complementary programmes by the private sector led institutions, individuals and other government departments to provide relevant support for both new and growing businesses in order to increase the level of entrepreneurial activity and performance. Some selected government initiatives are the Small Enterprise Development Agency (SEDA), Broad-Based Black Economic Empowerment (B-BBEE), the Preferential Procurement Programme (PPP), among others. Large scale assessment of the effectiveness and impact of these initiatives in the entrepreneurial process is beyond the scope of this research.

However, TEA can be a pointer to the effectiveness or otherwise of different government interventions. Comparatively, South Africa's TEA is proportionally the lowest among the BRICS economies in 2016 (Kelly, Singer, & Herrington, 2016, p. 120). In addition, the 'perceived opportunities' of 40 per cent and the 'perceived capabilities' of 45.4 per cent are below the average of 41 per cent and 53 per cent respectively in efficiency-driven economies according to the 2016 GEM Global Report (Kelly *et al.*, 2016, p. 16). Impliedly, there is a wide capacity gap among entrepreneurs in South Africa compared with their counterparts in other efficiency-driven economies. This indicates that entrepreneurs are not taking full advantage of the available business opportunities in the country; whereas, the main goal of suitable context is to "… help entrepreneurs develop both propensity to enterprise and ability to enterprise." (Gnyawali & Fogel, 1994, p. 54).

Also, based on GEM data, South Africa is among the countries with the lowest high-expectation entrepreneurial activity (HEA) rates over the period 2004-2009 according to the results obtained by Bosma & Levie (2009). With strict employment protection laws, there may be less incentive

to increase the number of employees (growth constraint); the attractiveness of entrepreneurs into high-impact entrepreneurship is reduced in addition to negative impacts on productivity, innovation and growth. Also, many growth-oriented entrepreneurs may choose to remain small and in the medium to long term there is productivity and efficiency loss to the economy. Bosma & Levie (2009) argue that strict employment protection may have negative impact on high-expectation entrepreneurial activity.

Linking GEM reports on labour with the declining labour market efficiency reported in the Global Competitiveness Report 2015/2016 (WEF, 2015), provides some insights for the disproportionate low level of entrepreneurial activity across important variables in South Africa and in comparison, with other members of the BRICS. Though the government of South Africa has taken steps in the past to address some of the inefficiencies associated with legislation according to Herrington *et al.* (2011, p. 44). For instance, the promulgation of the new Companies Act in May 2011, and subsequent formation of the Companies and Intellectual Property Commission (CIPC) in replacing the former Companies, Intellectual Property and Registration Office (CIPRO). While these steps are acknowledged, GEM South Africa Report 2016/2017 indicate that more still needs be done in terms of government policy for entrepreneurship (Herrington *et al.*, 2017).

In sum, it may be relevant to state that the GEM's nine EFCs, eleven indicators of Doing Business and GCI's twelve pillars are meant to be prescriptive and indicative of the general environment for business in various countries or economies at different stages of growth. However, as the discussions so far indicate, they only tell part of the story. By implication, the indicators and the accompanying rankings are necessary (but not sufficient) conditions for entrepreneurship in each country. This is because ecological data may not accurately reflect individual behaviour according to Boyd (2000) citing Robinson (1950). The next section discusses the institutional context relevant to the current research in the light of some of the identified environmental variables and South African context as an emerging economy.

### 2.10.2 Institutional Contexts and the Emerging South Africa

Studies focusing on the environment of emerging economies point to the importance of institutions as the most relevant and popular way to study the emerging markets environment

(Wright *et al.*, 2005; Xu & Meyer, 2013). Approaches to the study of institutional context in emerging economies vary in the extant literature. Contextual arrangements can be grouped broadly into institutional variables of economic, socio-cultural and political factors based on existing literature (Bird, 1988; Gnyawali & Fogel, 1994; Shane, 2003) and indicators such as GEMs conceptual framework (Xavier *et al.*, 2012). Context is shown to be influential in strategy formulation, strategic entry and exit, and gaining competitive advantage in emerging markets (Hoskisson, Eden, Lau, & Wright, 2000; Hoskisson, Wright, Filatotchev, & Peng, 2013; Khanna, Palepu, & Sinha, 2005; Wright *et al.*, 2005; Xu & Meyer, 2013).

Context generally is "…the tapestry of events, circumstances, situations, settings, environments, and niches that surround the entrepreneurial event" (Bird, 1989, p. 138). It is observed that most development problems facing developing and emerging economies can be traced back to inefficient institutions (Henrekson & Sanandaji, 2011; Naude, 2011) which can limit entrepreneurship development (Sautet, 2013). Many studies following Scott, 1995 (See Scott, 2013) have characterised a country's institutions in terms of regulatory (rules), normative (norms and customs) and cultural-cognitive (cultural values and beliefs) dimensions (Busenitz *et al.*, 2000; Manolova *et al.*, 2008; Spencer & Gomez, 2004; Stenholm *et al.*, 2013; Valdez & Richardson, 2013). Stenholm, *et al.,* (2013) further introduced the dimension of 'conducive' to the three 'pillars' to measure a country's capability to support high-impact entrepreneurial activity. Generally, these approaches distinguish developed and emerging economies contexts and the rate and type of entrepreneurial activity in different economies even though some methodological limitations have been observed (Valdez & Richardson, 2013).

Wright *et al.* (2005) classify firms operating from or within emerging economies into four contextual groups depending on where they operate: developed Multinational Enterprises (MNEs) entering emerging economies, domestic firms operating in emerging economies, MNEs from emerging economies entering other emerging economies and MNEs from emerging economies entering developed economies. Wright and colleagues further combine the contexts with the typology of theorising in each case and came up with four popular theories relating to the four contextual groups given their scholarly attention in the extant literature: agency theory, transaction-cost theory, resource-based theory and institutional theory. In advancing this position, Xu & Meyer (2013) further identified new theoretical approaches relevant to the

context in emerging economies. These include learning theory, relational theory and real options. Although institutional approach in the strategy and management literature is becoming popular, such works have limited application to study utilising individuals as units of analysis. In addition, Bruton *et al.* (2008) advised entrepreneurship researchers to shift focus from the dominant strategic management approach of context in emerging economies to social psychological and organisational behavioural perspectives.

Institutional theory in sociology (DiMaggio & Powell, 1983) and institutional economics (North, 1990) have influenced scholars' approach to institutional frameworks in some key studies. The approach in the current study is social-cognitive. While institutional perspective has been granted legitimacy among scholars in entrepreneurship (Baumol, 1990; Bird, 1988; Busenitz *et al.*, 2000; Gnyawali & Fogel, 1994; Shane, 2003; Xavier *et al.*, 2012) there are limited empirical efforts devoted to delineating the dimensions of economic, socio-cultural and political factors affecting entrepreneurs in emerging economies and the impact on enterprise performance. The focus of the dominant strategic management perspective is mostly on the firm, with little attention on the entrepreneurs. From the evaluation of cross-country indicators of contexts (especially the GCI, Doing Business and GEM), GEM measurement seems to be the closest to the approach taken in this study due to its focus on entrepreneurial activity and its empirical relevance to developing economies (Acs, Desai, & Klapper, 2008). Suitable institutional context is critical to enterprise development in emerging economies, and can be highly beneficial for growth (Autio & Acs, 2010; Stenholm *et al.*, 2013) and strategy development (Khanna *et al.*, 2005).

Research has shown that trade has a positive effect on growth for economies with small domestic markets (Sachs & Warner, 1995); but small businesses in emerging economies may not compete favourably and survive where there is high level of unrestricted free trade, competition, and technical sophistication coming from experienced manufacturers in developed economies (Solymossy, 2005). It is therefore normal for countries to deliberately protect their infant or key industries and sectors from foreign competition using institutions, though the approach and extent differs. Lin (2011) points to several such approaches by the governments of China, the US, Europe, and Asia and submits that the role of the state in the economic space should extend beyond the developmental stage, while, Huang (2013) argues for reduced government intervention in market systems.

According to Xu & Meyer (2013, p. 1323), emerging economies exhibit peculiar contextual institutional dimensions that differentiate them from developed economies in the following manner:

- Markets are less efficient due to less transparency, more extensive information asymmetries, and higher monitoring and enforcement costs.

- Governments and government-related entities are not only setting the rules, but are active players in the economy, for example through state-owned or state-controlled firms.

- Network-based behaviours are common, in part as a consequence of the less efficient markets, but arguably also due to social traditions, and they influence how firms interact with each other.

- Risk and uncertainty are high due to the high volatility of key economic, political, and institutional variables. Hence, businesses find it harder to predict the parameters they need for strategic decisions, including, for example, business cycles, government actions, and the outcome of legal proceedings.

Several empirical findings have confirmed differences in the institutional environment in developed and emerging economies (Acs *et al.*, 2008; Busenitz *et al.*, 2000; Manolova *et al.*, 2008). Due to the peculiar context in emerging and developing economies, poor institutions may deter people from acting rationally as much as they would have liked to, because they are very likely to be confronted with high level context induced information asymmetries. However, some categories of entrepreneurs and powerful institutions in these economies do exhibit some form of resilience working around the arbitrary and erratic administration of laws, government bureaucracy and other forms of institutional barriers/voids to achieve their business goals and performances (Luthans *et al.*, 2000; Mair & Marti, 2009; Welter & Smallborne, 2011).

Generally, entrepreneurs are not passive actors under externally imposed institutional frameworks but would rather work actively to change them (Naude, 2011). Unlike 'rent-seekers', Henrekson & Sanandaji (2011) made a specific case for 'political' entrepreneurs that '*alter*' existing institutional arrangements in a positive manner. Based on the acknowledged contextual differences among economies, country specific study is more relevant in this instance than cross-

country comparisons to identify macro-economic indicators and the institutions necessary for understanding and measuring *micro-economic* relationships. By implication, focusing on the institutional environment within a country will help explain the institutional variables for country specific analysis, decision making and policy development (Naude, 2011, p. 37).

There is an assumption that entrepreneurs in this study are differently empowered and, therefore, could only be influenced by institutions within their context and not otherwise. Neo-institutionalists do not view institutions as *variables* but as *social arrangements* that are adaptive and resilient, such that institutions can influence behaviour and can be influenced, and these bi-directional influences make institutions both complex and flexible (Scott, 1995, 2013; Valdez & Richardson, 2013). While such possibility exists within SCT for entrepreneurs to influence the institutional context, the current study focuses on how entrepreneurs are influenced by institutions. This approach will perhaps lead to the generation of empirical understandings of the *trilogy of contexts* in two dimensions. First, how much of an effect does institutional context have on motivation and cognition (both as entrepreneurial behaviour) and a company's performance? Second, what is the dimension of institutional context that seems to be salient in South Africa? Expectedly, institutional dimensions will influence the level of entrepreneurial activity manifesting in enterprise performance and behavioural characteristics (motivation and cognition) will also influence the performance.

Impliedly, it is becoming relevant to explore the entrepreneurs-context fit using differences in contextual configurations related to the socio-cultural, economic and political environment and their influence on individuals' behaviour and company outcome in line with the fundamental principles of SCT. The institutional environment influences the structure of economic, social and political incentives (DiMaggio & Powell, 1983; Henrekson & Sanandaji, 2011). The economic environment determines the tendency to engage in entrepreneurial activity. The political environment influences both the risk perception and willingness and social cultural environment influences desirability, acceptability and support for entrepreneurial activities (Shane, 2003). These salient institutional variables relevant to the South African context are discussed in the following section.

#### *2.10.2.1* Economic Context

The structure of incentives offered by the macroeconomic environment goes a long way in determining the transaction costs, the reward for entrepreneurial activity, and by extension, the motivation to enterprise. Both the costs and the reward determine where individuals will direct their entrepreneurial energy and talents, including the type of entrepreneurship that will be prevalent in the economy: 'productive', 'unproductive', and 'destructive' (Baumol, 1990). While promoting productive entrepreneurship may be the goal of policy makers, there are individuals who will take advantage of an institutional void to engage in rent-seeking and unproductive activities. Given the expected role of entrepreneurship development in the economic growth of South Africa, gaining insight into how an economic context impacts on entrepreneurship beyond start-up motives is relevant for policy, practice and scholarship.

Generally in a country, businesses of diverse nature and size benefit immensely when basic infrastructure such as a good road network, energy sources, public health and training/educational systems are available (WEF, 2012; Xavier *et al.*, 2012). Access to physical infrastructure has economic implications on the level of productivity and costs to the business. In addition, availability of equity capital; access to reliable and multiple sources of financing that is not burdensome have been shown to help business start-up and growth (World Bank, 2001) and the allocation of entrepreneurial efforts (Bowen & De Clercq, 2008). In other words, protecting new and small business from undue financial burden and debt-trap is vital to their existence, growth and survival.

Some categories of entrepreneurs need capacity as well as access to research and development (R&D) output that can be commercialised; including internal market openness that supports demand for products and services, creativity and competition to generate further growth. At the minimum, every business needs access to large markets for products and services (WEF, 2012) and access to equity and credit financing. Historically in South Africa, private equity investors are not known for engaging well with SMMEs (Falkena, Abedian, Blottnitz, Coovadia, Davel, Madungandaba *et al.*, 2001). In 2008, 52 per cent of private equity investments were devoted to specific sectors such as infrastructure, mining and natural resources, and retail (Bosma & Levie, 2009, p. 55) to the disadvantage of other SMMEs dominated sub-sectors. In other words, South African venture capitalists exhibit preference for some sectors over others. As an *efficiency-*

*driven economy*, some important contextual variables that can be described as 'givens' in South Africa for which entrepreneurs could benefit include technological readiness, a relatively developed public stock market, responsive fiscal and monetary policies, good transport systems, housing policies and availability of real estate services, land policy that is investment friendly and some level of economic growth that reflects a good quality of life and minimal standard of living.

The tax-system in an economy is equally important. There have been debates around this on the effect of such public policy on entrepreneurship (Baumol *et al.*, 2011) especially the burdens of taxation on enterprise growth and development. Djankov, Freund, & Pham (2010) found that higher effective corporate tax rates are positively correlated with lower investment, foreign direct investment and entrepreneurial activity, while Lawless (2013) reports that complex tax systems are associated with lower FDI. Impliedly, the higher the reduction in tax complexity (10 per cent) the lower the comparable reduction (1 per cent) in effective corporate tax rates in terms of its effect on foreign direct investment. Importantly, equitable tax policy that is sensitive to the nature and scale of business can help in overcoming the liabilities of newness and smallness. The hypothesis of organisational imprinting (Stinchcombe, 1965) has shown that environmental impact is probably more at start-up and may restrict new companies performance (Aldrich, 1990). In addition, Levie & Autio (2011) found that in countries where the compliance burden is higher there will be a reduction in the prevalence of strategic entrepreneurial activity especially where rules cannot be bypassed using bribery. In contrast, a negative relationship between entrepreneurial effort directed towards high-growth activities and the level of corruption within the country has been reported (Bowen & De Clercq, 2008). In other words, as corruption increases, entrepreneurial efforts devoted to high-growth decreases and vice versa.

Similarly, the availability of training and advisory services that are responsive and relevant to business needs is necessary to stimulate people into entrepreneurship and business growth paths. Bowen and Clercq's (2008) finding shows that in countries where educational capital targeted at entrepreneurship is high, more entrepreneurial efforts will be allocated towards high-growth business activities. The availability and quality of educational systems in an economy are important for sustainable entrepreneurship due to the required human capital to drive entrepreneurial activity (WEF, 2012; Xavier *et al.*, 2012). In addition, the cross fertilisation of

ideas and exchange of research and development (R&D) outcomes (both for development and commercialisation), between entrepreneurs and researchers from research institutions are necessary for innovation and growth. Knowledge spillovers and availability of capital are found to be important for high-impact entrepreneurship (Stenholm *et al.*, 2013). Generally, knowledge spillover literature points to the fact that innovation is highest where there is close proximity to research centres and universities (Acs, Audretsch, & Feldman, 1994; Love, Roper, & Bryson, 2011).

To diversify and enhance the productive capacity of the economy, it is essential that different people, skills, and finances are attracted to the economy through various political and economic policy incentives. Immigration laws can be utilised for economic gain. The diversity of people, employees and entrepreneurs available in an economy can be an important economic resource for entrepreneurship and economic growth (Baumol *et al.*, 2011; Vorderwülbecke, 2012). In the US, according to Baumol *et al.* (citing Freeman, 2006), about fifty percent of those who earn degrees in the science, engineering and technology related fields are immigrants. In addition, immigrants in the US have consistently had higher rates of business formation than Native Americans for many years (Baumol *et al.*, citing Fairlie, 2008). Such recognition is becoming increasingly important in entrepreneurship development due largely to the contributions of international migration to globalisation in cultures and in business (Vorderwülbecke, 2012). In Canada, immigrant-owned young firms that export outperform domestically-founded young firms whether they export or not as the immigrants are known to leverage their networks (Neville, Orser, Riding, & Jung, 2014). In South Africa, immigrants of Asian descent are known to be prominent in the informal economy such as retailing.

In general, economic context is broad, including both the supply and the demand sides. Specifically, targeted policy interventions such as the preferential procurement programme (PPP), procedural requirements for registration, the number of institutions to whom entrepreneurs would have to report, rules and regulations governing entrepreneurial activities, availability of counselling and support services, incubator facilities, technical and vocational training institutions are important contextual variables for new and growing businesses (Gnyawali & Fogel, 1994; Shane, 2003; World Bank, 2012a; Xavier *et al.*, 2012). Economies at the innovative-driven stage are more likely to have more innovative entrepreneurs (WEF, 2012).

Countries with a larger number of economic development programmes are very likely to achieve higher business start-up rates than those which do not have capacity building and support programmes for entrepreneurs (Bowen & De Clercq, 2008). Economies that provide good legislation for domestic firms tend to provide the same for foreign firms and can also attract foreign direct investments (FDI) (World Bank, 2013a). According to the findings by Djankov, McLiesh, & Ramalho (2006), many rich countries today had better political and economic institutions in the past. Therefore, economies with good business regulatory environments (less regulation) grow faster due to consistent positive correlation between business regulation and growth. In addition, regulatory improvements for business entry and trade facilitation increase export volumes and lead to reduction in distortions arising from restrictions on access to foreign markets (Seker, 2011). The findings suggest that economies are more likely to respond to emerging export opportunities arising from suitable regulatory environment.

#### *2.10.2.2* Socio-Cultural Context

The socio-cultural milieu in a country determines in part how people situate entrepreneurial endeavour within the socio-cultural landscape. It is particularly important to know how existing entrepreneurs are perceived or appraised in their society. It is not by an accident of history that people draw positive inspiration from individuals that society has accepted as role models and change agents given their entrepreneurial accomplishments (Bosma *et al.*, 2011; Van Auken, Fry, & Stephens, 2006) . By extension, nascent and novice entrepreneurs will have people they can look up to as mentors and role models within society. While on the other hand, a society that is supportive of successful entrepreneurs is likely to have increasing entrepreneurial activity, there is evidence linking culture with the rate of entrepreneurship in a country and a variety of economic behaviour (Li & Zahra, 2012; Stephan & Uhlaner, 2010). Because of their importance, cultural and social norms are given prominence in GEM EFCs, indicating,

> …the extent to which existing social and cultural norms encourage, or do not discourage, individual actions that might lead to new ways of conducting business or economic activities which might, in turn, lead to greater dispersion in personal wealth and income (Xavier *et al.*, 2012, p. 35).

Socio-cultural dynamics in a country such as South Africa with its history of apartheid and racial segregation need not be viewed in a similar way to any other emerging economies that have not

experienced such. South African society is divided into two classes based on socio-economic opportunities; a highly developed and well educated class on one side and the other side of the economy barely surviving (Maas & Herrington, 2007). The disadvantage theory on social-economic backgrounds posits that there are two kinds of socioeconomic disadvantages: resource and labour market disadvantages, and which are mutually exclusive (Light & Rosenstein, 1995, pp. 149-177). Resource disadvantage occurs, among other factors, when there is an unequal access to socioeconomic resources such as property, education, wealth, health, confidence, by members of a group in comparison with another group.

The effects of resource disadvantage in South Africa can be traced back to the apartheid era that officially ended in 1994. However, its effects still linger due to the apparent unequal access to socioeconomic opportunities based on the 'disadvantaged backgrounds' of most people especially in the semi-urban and rural communities. Even when the opportunities are available, they are not evenly distributed, but rather concentrated in the urban areas, especially in a commercial province such as Gauteng (Herrington *et al.*, 2009, p. 90). There is a missing link between the contextual opportunities available (WEF, 2012) and the increasing unemployment and inequality in the economy (World Bank, 2009). There are increasing concerns that economic growth is not reducing poverty among the blacks (Bosma *et al.*, 2012); and previously black dominated universities are lowly-rated and less-diversified.

Often, previously disadvantaged groups on socioeconomic variables enter low-barrier and low-yield businesses due to limited business knowledge and capital. Such lack of critical resources constrain their business growth and viability (Boyd, 2000). Previous studies mostly in the US are unable to distinguish between 'minority' and 'white' entrepreneurs using personality, race and ethnicity and therefore suggest that entrepreneurs are like their peers in the general population (Bird, 1989, p. 75). But that may not entirely remove the fact that minorities still experience resource discrimination (Light & Rosenstein, 1995). There is evidence supporting the fact that being resource poor constrains growth (Kozan *et al.*, 2006) and an availability of financial resources targeted at entrepreneurship is found to have a positive relationship with how people allocate entrepreneurial efforts (Bowen & De Clercq, 2008).

In South Africa, the Black majority are disadvantaged both in resources and other socioeconomic variables (Falkena *et al.*, 2001; SAIRR, 2007; Steekelenburg *et al.*, 2000). This has implications

for the starting and growing of businesses, because those who lack resources (including quality education, access to good health and finance) are less likely to create viable businesses (Light & Rosenstein, 1995, p. 155). Some previously disadvantaged group members might overcome socioeconomic barriers and forge ahead to establish viable businesses (Boyd, 2000; Stone, 2012), because entrepreneurs tend to have similar competencies and motivation (Bird, 1989, p.74). Being disadvantaged may also be an additional motivation to wanting to succeed in business. Those who have made big changes in life are often disadvantaged. Barely attending secondary institutions, they are '*marginal*' men and women (See Baumol *et al.* 2011, P.7 citing Channon, 1979; and Collins & Moore, 1970). Stone (2012) found that what allows disadvantaged entrepreneurs in some parts of American society (Dayton, Ohio) to be successful is, among other things, the utilisation of mentors, and the creation of value and determination to succeed.

Contrary to the position of 'marginal' individuals, high-growth entrepreneurs are found to be well educated in terms of tertiary education (Autio, 2007; Morris, 2011). Also, previous experience, education and opportunities have been found to influence success and performance in business (Davidsson, 1991; Shane, 2003); but those who are disadvantaged in these dimensions may *struggle* to develop skills and attributes that come from prior experience and advantaged backgrounds on their own, if they are in business. Not many people will be able to do this without assistance. Studies have linked the possession of tacit knowledge gained by observing parents to increasing the possibility of children engaging in business (Dunn & Holtz-Eakin, 2000; Hout & Rosen, 2000) and parents do pass valuable resources onto their self-employed children (Aldrich, Renzulli, & Langton, 1998). In America, white business owners are likely to have had self-employed family member owners before starting businesses and are more likely to have worked in a family business. In contrast, minority black business owners in America are less likely to have worked in a family business or have parents that are business owners. Lack of prior work experience among black business owners has negative impacts on general and specific human capital as well as venture outcomes, according to Fairlie & Robb (2006).

A favourable attitude, presence of experienced entrepreneurs, successful role models, recognition of exemplary entrepreneurial performance, and entrepreneurial networks are essential contextual

factors (Gnyawali & Fogel, 1994, p. 46). The high possibility of re-entry (after an initial exist from business) is reported for individuals with a low fear of failure and who know an entrepreneur (Hessels *et al.*, 2011). By extension, people who have good social networks and role models are known to run high performing enterprises (Bosma *et al.*, 2011) and both strong and weak networks influence the degree of risk taking (Janney & Dess, 2006), start-up process and making the first sales/profit (Davidsson & Honig, 2003). While some socio-cultural variables in South Africa in GEMs 2012 global report are positive regarding the perception of entrepreneurship as a good career choice, high status to successful entrepreneurs and high media attention, the report also indicates low level total early-stage entrepreneurial activity (TEA); new business ownership rate, established business ownership rate, and a high level of discontinuation of business (Xavier *et al.*, 2012).

Early work on the dynamics of cross-cultural relations and variation in national culture (Hofstede, 1980, 2001) shows some promise, though not directly related to entrepreneurship. But empirical studies and scholars' general agreement on the impact of culture on entrepreneurship provide some form of legitimacy (Basso, Bouchard, Fayolle, & Legrain, 2008; George & Zahra, 2002; Mitchell *et al.*, 2000). Some key socio-cultural factors that impede the rate of entrepreneurship in Africa using Hofstede's dimensions of power-distance, collectivism and Confucian dynamism, according to Takyi-Asiedu (1993), include the propensity for power and status, inequitable distribution of national wealth, family life, family succession, lack of trust, corruption, bureaucracy, illiteracy, among other practices. As relevant as these factors might appear, they have limited methodological/empirical applications. While Hofstede is arguably the most cited scholarly work on culture, his work has not escaped criticism according to Jones (2007). In South Africa, *the Ubuntu* concept (humanness and kindness- has its origin in several of the Bantu languages of Southern Africa) may not neatly fit into Hofstede's dimensions of individualism and collectivism and may portend conflicting interpretations due to the multicultural and multiracial nature of the South African context. While Ubuntu's humanness may explain in part the principles of collectivism, it is contrary in meaning and concept with Hofstede's dimensions of individualism.

The GEM measurement variables for individual self-perceptions, different from Hofstede's dimensions, may be partly influenced by the socio-cultural milieu and embedded in social

interactions within a country. These attitudinal variables include awareness about good opportunities for starting a business in one's area, belief in one's skills and experience to start a business, and attitude towards failure (Xavier *et al.*, 2012, p. 18). Generally, self-perceptions as conceptualised by GEM can be pointers to societal attitude towards business founding and growing. Further studies into entrepreneurs' socio-cultural contexts in South Africa are likely to provide empirically relevant insights on the entrepreneurial activity and events surrounding company performance and by extension reasons why perceived opportunities, commercial and physical infrastructure are not translating into increasing company founding rates and performance. Stephan & Uhlaner (2010) have demonstrated using GEM data that performance-based culture (pbc) and social-supportive cultures (ssc) do influence both the demand and supply side of entrepreneurial activity rate.

#### *2.10.2.3* Political Context

The stage of economic development and political egalitarianism has bearing on the kind of political institutions that support entrepreneurship within an economy. Obviously there is variation in the institutional supports available in advanced democratic societies in comparison with an emerging economy like South Africa, because emerging economies are contextually different from western economies (Bruton *et al.*, 2008; Hulbert, Gilmore, & Carson, 2013; Manolova *et al.*, 2008; Xu & Meyer, 2013). South African democracy, in the opinion of Chatterjee (2013), may not be a perfect example of the canonical principles of liberal democracy of the developed capitalist societies and therefore the need for theorists to recognise such political differences and revisit existing theories with a view to evolving a more accommodating theoretical understanding of the emerging economies phenomenon. In general, the political context relates to rules and regulations guiding entrepreneurial events within a country.

Improperly developed legal systems breed 'rent-seekers' instead of 'productive' entrepreneurs, according to Stiglitz (2012). A suitable legal framework that is responsive enough to meet the business needs of different entrepreneurs in emerging economies is therefore desirable to nurture productive entrepreneurship. Entrepreneurs operating small to medium scale enterprises will require a relatively stable political environment to thrive, even if this is to be achieved at the expense of creativity and the destruction of competition (Huang, 2013). The legal system should be such that the entrepreneurs are not unduly exploited in financial dealings including loans, also

they are not over-burdened with complicated labour related laws and unfair competition that can endanger their existence and survival.

On the other hand, large enterprises need better political/legal coverage because of the level of transactions and business sophistication/innovations they may be involved in given their aspirational goals. Importantly, the political system should be such that there is intellectual property protection, laws encouraging and promoting commercial and financial transactions at different levels and boundaries, ability to sue for contract breaches, existence of an impartial court system, guaranteed freedom of speech as well as the rule of law (Autio & Acs, 2010; Baumol *et al.*, 2011; Levie & Autio, 2011). The point here is that different political/legal frameworks may be required by different classes of enterprise given their level of operations, business dealings, sophistication and contextual peculiarities.

In another finding, the institutional environment embedded with new opportunities created by knowledge spillovers and capital is found to be important for high-impact entrepreneurship whereas the regulatory environment matters very little for high-growth new ventures to exist (Stenholm *et al.*, 2013). In contrast, Levie & Autio (2011) found that higher regulatory burdens limit strategic entrepreneurial entry but this relationship is moderated by a strong rule of law as it determines the extent to which the burdens of regulation affect strategic entry. Therefore, lighter regulatory burdens combined with a strong rule of law stimulates more people entering into entrepreneurship (Acs *et al.*, 2008; Levie & Autio, 2011) and accelerates new company growth (Capellaras *et al.*, 2008). Perhaps, Kim & Li (2012) research from a panel analysis of 104 countries provides a paradigm shift. It indicates that linking FDI with a country's entrepreneurial activity spurred by social-political conditions is positively significant and strongest in countries with poor institutional support, weak political stability, and low general human capital. The result is particularly relevant to developing and emerging economies with under-developed institutions, thereby attracting FDI which may boost the business creation rate and compensate for institutional voids that could have reduced entrepreneurial activity.

Intellectual property protection is influential in the formation of entrepreneurial growth aspirations according to Autio & Acs (2010). In this instance, countries where inventions and novel ideas are protected are more likely to witness entrepreneurs aspiring for growth through commercialisation, employment and increasing productivity. Also, in the US, findings by Sobel

(2008, p. 642) indicate that states with better institutional structures produce higher venture capital investments per capita, a higher rate of patents per capita, a faster rate of sole proprietorship growth, and a higher establishment birth rate. In addition, Yang & Maskus (2009) using a model of strategic competition report that stronger Intellectual Property Rights (IPR), especially stronger patent rights and trade secrets are likely to improve the ability of firms in developing countries to expand exports and improve welfare. However, such protection should not be an impediment to new entry and further innovation by other entrepreneurs (Baumol *et al.*, 2011) as excessively strong IPR also diminishes competition and welfare (Yang & Maskus, 2009).

The preponderance of innovative entrepreneurship - the number of new businesses each year that bring new products and ideas to the US market - is observed to be made possible due to wide range of political policies that lay the foundation for creativity, intellectual property protection, education and immigration policies (Baumol *et al.*, 2011). However, comparing the political systems in the US with an emerging economy like China reveals some disparities. China is not a democratic country (at least in the Western democratic sense) but has undertaken some political reforms that have provided enabling opportunities for its budding entrepreneurs to thrive (Fligstein & Zhang, 2011). While the vast majority of Chinese entrepreneurs are rural based and replicators, they have succeeded in a climate that may not be described as the best context for the rule of law, judicial independence and media freedom (Huang, 2013; Lin, 2011).

Contrary to the purely capitalist context, China promotes state-driven investments, government-owned financial systems and high level political controls in contrast to the private sector led economic principles of the West (Lin, 2011). In spite of this contradiction, entrepreneurship thrives, though doubts have been expressed about the sustainability of Chinese economic growth (Huang, 2013; The Economist, 2013). Importantly, many of China's most competitive industries are started by replicative-rural based entrepreneurs (Huang, 2013). In South Africa, entrepreneurs are burdened with government regulation (123$^{rd}$ out of 144 nations reported) compared with other African countries such as Morocco (63$^{rd}$), Nigeria (36$^{th}$), and other efficiency-driven economies like Namibia (68$^{th}$), and China (23$^{rd}$) according to the 2012-2013 Global Competitiveness Index (WEF, 2012, p. 396).

Because the market structure may not always deliver efficient and equitable outcomes, understanding the contextual dynamics in a country is important and in fact critical for developing and emerging economies. Acs *et al.,* (2008) demonstrate empirically, using GEM data, that individuals are more likely to engage in formal entrepreneurial activity where the political, economic and financial risks or barriers are low. In addition, as entry barriers increase in developing economies, the spread between the informal and formal sector rises and this limits the entry of corporate entrepreneurs. In developed economies however, the number of formal businesses is greater than the sum of sole proprietors and informal companies due to the ease of starting both formal and informal businesses in these economies (Acs *et al.,* 2008). Also in Mexico's municipalities, Bruhn (2011) found that reform increased the number of registered businesses by 5 per cent due largely to new entrants, former wage earners starting their own businesses and not as a result of formerly informal businesses becoming formalised. These results demonstrate contextual differences between developed and developing countries and the influencing role of reforms at easing the start-up process.

## 2.11 Enterprise Performance: A Multidimensional Perspective

Enterprise performance is an indication of rewards for business venturing for individuals, businesses and wider society. Often, the emphasis placed on any dimension of its measurement depends largely on the stakeholders' expectations. While society may expect an enterprise to create jobs, pay taxes, and be socially and environmentally accountable, the business owners may be content with increasing sales, return on investment (ROI), profitability, growth and personal welfare and satisfaction. The employees are likely to view performance from the level of participatory governance, relative value of the company and revenue and therefore increasing salaries, allowances and promotion. Other stakeholders (such as venture capitalists, business angels, and banks) may view performance from increasing market share, gaining competitive advantage and sustainable revenue (cash flows), among others. While all these performance indicators appear to be part of the larger expectations of enterprise performance, the primary goal is to measure the rewards for entrepreneurial endeavours.

The rationality principle dictates that individuals will carefully consider opportunities with higher returns in the face of alternatives including the opportunity cost. Because the expectation of rewards for opportunity exploitation differs, the propensity to exploit opportunities also differs

(Block & Wagner, 2010). Also, economic theories indicate that the rewards systems in an economy determine the allocation of entrepreneurs' efforts. Because, people will naturally tend to exploit opportunities that present the highest rewards within their context and this tends to influence their resource allocation and the efforts they exert (Baumol, 1990; Sautet, 2013; Sobel, 2008). Performance in an entrepreneurial setting is related to venture outcome and this can be viewed in different ways. Economic (financial) and/or non-economic (non-financial, often measured as satisfaction with performance) are the two most commonly measured outcome criteria in studies linking personal characteristics to venture success/performance (Berthelot, 2008; McLaughlin, 2012; Solymossy, 1998). Sometimes, the motive for founding a business may be far more than just gaining financial rewards (Swierczek & Ha, 2003). It may be the expectation of the stakeholders (or entrepreneurs in this instance) that certain values are captured as outcomes (Lumpkin & Dess, 1996; Ucbasaran, Westhead, & Wright, 2001). As Locke & Latham (2004) observe, people may treat negative and positive outcomes differently and they are likely to put this into consideration when making their choices.

Regardless of the interest or the measurement criteria selected, understanding and gauging a firm's performance is important for all stakeholders: employees, venture capitalists, banks and government. With clear performance indicators, the success or failure of entrepreneurial endeavour can be determined. A review of literature indicates that measuring performance outcome in small firms has generated a number of scholarly works with different scholars suggesting and using different variables and approaches (Chandler & Hanks, 1993; Murphy, 1996; Rauch *et al.*, 2009). For instance, Murphy (1996) suggests profitability, growth, survival, productivity, and satisfaction as measures of entrepreneurial performance. In a meta-analysis of performance measurement in entrepreneurship literature, - Murphy, Trailer, & Hill (1996) identified efficiency, growth and profit as the three most frequently used of the eight dimensions in entrepreneurship. Others are size, liquidity, success/failure, market share and leverage. However, Chandler & Hanks, (1993) argue that profitability measures of performance such as ROE, ROI, or ROA while they may be ideal to measure size for older, more established firms, they may be inappropriate for small and start-up firms and their reliability is in doubt.

Several measures have been used in combination and singly in many studies. Performance has been associated with business survival and growth (Stenholm & Toivonen, 2009; Vaessen &

Keeble, 1995), owner's satisfaction (Berthelot, 2008; Cooper & Artz, 1995; Murphy & Callaway, 2004), growth in sales, employment and profitability (Almer-Jarz, Schwarz, & Breitenecker, 2008), growth in profit and income (Aspara, Hietanen, & Tikkanen, 2010) among others. The Murphy *et al.* (1996) findings in an exploratory study of 995 firms suggest that performance measures can produce logically inconsistent results across measures. Chandler & Hanks (1993) results are suggestive of objective measures reporting better validity than subjective measures while acknowledging the strong internal consistency of subjective measures. However several empirical studies (Cooper & Artz, 1995; Murphy & Callaway, 2004) and meta analysis support the validity of a subjective measure of performance in small firms (Rauch *et al.*, 2009). Similarly, findings from a sample of 368 manufacturing firms indicate that objective measures only explained a modest amount of variance in '*satisfaction with performance'* and it was the other subjective variables such as perceived environmental hostility, vulnerability, perceived competitive advantage, and commitment that explained the significant part of the variances (Murphy & Callaway, 2004).

Given the difficulty of collecting objective data in many countries especially in small firms; Rauch *et al.* (2009) conclude that both objective and subjective measures are relevant to business performance because problems such as common method variance, memory decay, or social desirability bias associated with the self-reporting of performance do not generally pose serious threat to validity. Almer-Jarz *et al.* (2008) utilised percentage growth in employees and turnover as performance measures because actual profit figures might not be feasible because every bit of profit needs to be re-invested for further growth especially in innovative young firms. In another study, net-profit (transformed logarithmically) and business growth were used as a performance measure (Swierczek & Ha, 2003). According to Delmar & Wiklund (2008) employment and sales are the two most important growth indicators that provide different and complementary information. In another study, Chandler & Hanks (1993) report that growth and business volume are the dimensions of performance most founders are familiar and can relate with much ease and they are more meaningful measures of performance in emerging firms (Chandler & Hanks, 1994).

Multiple performance measures at small firm level is increasingly recognised and utilised in entrepreneurship research (Chandler & Hanks, 1993; Lumpkin & Dess, 1996; McLaughlin,

2012; Murphy *et al.*, 1996; Solymossy, 1998). This is because the diverse nature of entrepreneurship has made it impossible for a single performance measure or dimension to appropriately capture the needs of a diverse set in research questions according to Murphy *et al.* (1996) and obtaining multiple performance measures is important to obtain clearer and comparable performance measures. Naffziger, Hornsby, & Kuratko (1994) hypothesise that entrepreneurs will redefine their performance expectations more broadly than the current available traditional measures. Other non-financial outcomes that have been suggested are satisfaction, learning, imitation and retaliation (Davidsson, 2008). Satisfaction is becoming common in entrepreneurship research (Berthelot, 2008; McLaughlin, 2012; Solymossy, 1998) and is regarded as a fundamental measure of success for the entrepreneur (Cooper & Artz, 1995). In addition, performance measures relative to competitors (in the same industry, age range and stage of development) have also been increasingly utilised (Arend, 2012; Chandler & Hanks, 1993; Dess & Robinson, 1984; McLaughlin, 2012). Given the increasing concerns for the sustainability of the environment, resources, organisation, stakeholders' interests and general societal welfare, more broad performance requirements are being placed on organisations that account for not just the financial performance but with broader considerations for social, environmental and stakeholders' issues (Raar, 2011; Revell, Stokes, & Hsin, 2010; Spence, Ben, Gherib, & Biwole, 2011).

While the research focus is not to evaluate how firms take performance decisions, it is important to state that for small firms with limited resources, a decision to enhance performance on one dimension could result in a trade-off for another dimension. A decision to re-invest profit may mean that an innovative growth-oriented small firm will not have profit to report (Almer-Jarz *et al.*, 2008) but such a decision might lead to other outcomes such as enhanced efficiency and sales growth among others. For this study, the key performance dimensions examined were financial, relative, and satisfaction with performance measures. The basis for selection is discussed in turn.

*Financial Performance*: Chandler & Hanks (1993) propose a validated scale that measured performance along two broad categories of growth and business volume. The growth measures are: (1) perceived growth in market share (2) change in cash flow and (3) sales growth. The business volume includes (1) earnings, (2) sales, and (3) net worth. The coefficient alphas for the growth and business volume scales were .72, and .81 respectively. Similarly, in the same study,

the following eight key indicators to measure performance in Small business are proposed: sales growth, return on sales, cash flow, return on investment (ROI), net profit, return on asset (ROA), market share, growth in networth of the company. Based on the responses received from 120 business founders, emphasis was placed on the following six performance indicators: Cash flow, net profit, sales growth, return on sales, net worth, and market share.

A careful evaluation of all the performance measures proposed by Chandler & Hanks (1993) and the definition of SMEs within the framework of the current study informed the selection of the following variables for evaluation: sales growth, cash flow, market share, net profit and total sales. Therefore, the measurement scale is not entirely adopted despite its validity but adapted to suit the current research based on the stated reasons. Characteristically, SMMEs in South Africa include micro and very small businesses according to the NSB Act, 1996 (Act No 102 of 1996) and subsequent amendments, hence it is difficult to assess performance in these businesses using indicators like earnings, return on investment (ROI), return on asset (ROA), return on equity (ROE), net worth and employment. Earnings and networth were dropped due to the assumption that most SMMEs in the survey may not all keep proper books of account, are not public institutions but privately held small companies and so are not mandated to keep certain performance records (Falkena *et al.*, 2001). Also, the 'return on sales' was changed to total sales for ease of evaluation and recall, while RoI, RoA and RoE were dropped due to the reliability challenges and their inappropriateness for small firms (Chandler & Hanks, 1993, 1994).

The need for material incentives, family security and money have been identified as key motivators for business founding across gender in South Africa (Mitchell, 2004). Therefore, there is reason to believe that profit and cash flow mean a lot to South African business owners. Profitability has been widely accepted as an important performance measure in the domain (Almer-Jarz *et al.*, 2008; Aspara *et al.*, 2010; Murphy, 1996). Cash flow has been linked to assets and operating profits (Saksonova, 2009), while liquidity management, profitability and marketing activities are critical success factors in the management and growth process among small firms (Ekanem, 2010; Pansiri & Temtime, 2010). Performance measures such as sales growth, return on sales and market share will be important measures in the South African context given the reported rate of inequality (World Bank, 2009) as more business owners may be interested in sales performance and market share. More so, several key findings on performance

measures corroborate the fact that entrepreneurs can relate well with marketing and sales measures (Chandler & Hanks, 1993, 1994; Chandler & Jansen, 1992; Cooper & Artz, 1995; Delmar & Wiklund, 2008; Murphy *et al.*, 1996; Song, Podoynitsyna, van der Bij, & Halman, 2008).

*Relative performance*: There is an established tradition in the domain to measure relative performance/success (Arend, 2012; Chandler & Hanks, 1993; McLaughlin, 2012). The Relative performance measure compares the business with its peers in the same industry, age and stage of development in terms of some pre-selected performance indicators. The performance indicator draws its legitimacy and relevance from the suggestion that business owners understand their business performance relative to competition (Porter, 1980) and the empirical support for the reliability of founders reported performance measures (Brush & Vanderwerf, 1992). Among international new ventures (INVs), relative performance is adjudged as an important measure of a company's competitiveness in domestic and international markets (Man & Lau, 2005). This concerns the company's relative performance against other firms in the same industry. The practice in the domain is to evaluate similar indicators as examined under the financial performance/success. The following indicators are therefore evaluated: sales growth, cash flow, market share, net profit and total sales.

*Owners' Personal Satisfaction with performance*: This measures how satisfied the entrepreneur is personally with the enterprise and general performance of the business. Chandler & Hanks (1993) while noting the challenge of external validity in measuring satisfaction with performance, found that the index had a high disclosure rate, strong internal consistency, and a relatively strong inter-rater reliability. Murphy & Callaway (2004), in their findings, also note that satisfaction with performance measure, though subjective in nature, is valid, reliable and independent of the objective measures.

Chandler & Hanks (1993) propose and validate a four-items measure for satisfaction with performance on the following items: (1) satisfaction with performance, (2) growth, (3) business volume, (4) performance relative to competitors. On the other hand, Cooper & Artz (1995) identified four measures for satisfaction with performance: (1) satisfaction with ventures' sales (2) satisfaction with profits (3) personal overall satisfaction with the business compared with

when the business started (4) willingness to start the same business again. The scale has a Cronbach Alpha of 0.78 indicating acceptable internal consistency.

However, in selecting the measure for satisfaction with performance, both Cooper & Artz (1995) scale and Chandler & Hanks (1993) scales were combined and two new items were developed to capture the inherent dynamics in this study. The choice was informed because of the need for clarity, the need to measure what the instrument was supposed to measure and concurrence in language (Cavusgil & Das, 1997). The two new items are: *Personal satisfaction with what I do in the business* and *Personal satisfaction with customers, staff and stakeholders.*

In the understanding of the research, business owners may be satisfied with what she/he is doing in the business even when neither the profit nor sales figures are gearing. For instance, among older entrepreneurs, aspirations may be limited and yet satisfaction is being derived (Cooper & Artz, 1995). In addition, when the business owner is satisfied with what she/he does and the overall satisfaction, it can be a proxy for the *willingness to start the same business again* as proposed by Cooper & Artz (1995). Network resources that support entrepreneurial endeavours may be highly valuable and provide tremendous satisfaction. The need to avoid repeated measures informed the decision to derive two additional measures along with the measures introduced by Cooper & Artz (1995) and Chandler & Hanks (1993). In all, four measures of owners' personal satisfaction with performance are evaluated based on the foundation and idea from the literature. The performance measures are summarized in Table 2.8:

**Table 2. 8: Selected Measures of SMMEs Performance**

| Dimensions | Indicators | Measures | Reference Unit |
|---|---|---|---|
| Financial Performance | Sales growth, Cash flow, Market share, Net profit and Total sales | Extent of growth or decline. | Enterprise (Business specific) |
| Relative Performance | Sales growth, Cash flow, Market share, Net profit and Total sales | Rate of change when compared with competing firms | Context (Industry specific) |
| Personal Satisfaction with Performance | Personal satisfaction with what I do in the business, personal satisfaction with the general performance, personal satisfaction with the customer, staff, and stakeholders, and personal overall satisfaction with this business compared with what I expected when the business started. | Extent of satisfaction with some selected indicators | Individual (Owners' specific) |

Source: Literature review

Evaluating some of these performance measures indicate that they may produce logically inconsistent results because of differences in expectations. For instance, the business owner's satisfaction with the business performance is not an indication of favourable financial performance. Also, employing more employees (an obvious performance index) or having increased sales may not be synonymous with an owner's satisfaction. Therefore, the study measures the impact of different independent variables on different dimensions of enterprise performance to appropriately gauge the outcome variables and allow for results comparability. Measuring the dependent variable singly and jointly has been the practice in some studies (McLaughlin, 2012)**.** In the following sections, each of the focal constructs of motivation, cognition and context is discussed within the broad perspective of their interactions and relationships with the dependent variable: enterprise performance. Further details are provided under the chapter on research design and methodology.

### 2.11.1 Motivation and Performance

Studying entrepreneurial motivation gives an idea about entrepreneurs and underlying characteristics that may propel them into actions that generate business performance. While many studies of motivation compare between or across subjects, only a few studies have attempted to link motivation with business growth/performance (Baum & Locke, 2004; Begley & Boyd, 1987; Berthelot, 2008; Collins *et al.*, 2004; Solymossy, 1998). With such development, motivation is now viewed beyond the enduring traits that it has been associated with over the past decades. It is now established as a behavioural variable capable of impacting business performance (Rauch & Frese, 2007; Utsch & Rauch, 2000). Several personality traits are now confirmed to correlate well with entrepreneurial behaviour and outcome variables such as business creation and business success (Rauch & Frese, 2007). An entrepreneur being the ultimate source of all formal authority in the business has some edge above a manager given the entrepreneur's controlling and decision making authority regarding business founding, management and risk bearing (Brockhaus, 1982, p. 40). When individuals with authority act, the impact is likely to be felt positively or negatively in the enterprise and this may impact the outcome and motivation is a key behavioural component.

A highly-motivated entrepreneur is expected to put everything he/she has into the business to make the business successful. Personal sacrifices in time and effort have a positive effect on the continuous growth of a business (Kozan, Oksoy, & Ozsoy, 2012). Some qualitative and quantitative studies on 'motives' for business founding and success have linked specific motives to venture success (Benzing & Chu, 2009; Stone, 2012). Stone (2012) utilised a phenomenological approach (qualitative research) to investigate motivational desires such as independence, community support and control of the earning potential of African American entrepreneurial business owners in the US. She found a link between their motivational desires and success strategies such as the utilisation of mentors, creating value for customers, and a strong determination to succeed. In-depth psychological studies, on motivation in an entrepreneurial setting have clustered around variables such as the need for achievement (nAch), locus of control, self-efficacy and risk-taking propensity, tolerance for ambiguity, need for autonomy, among others (Brockhaus, 1982; McClelland, 1961; Shane, 2003; Vecchio, 2003). In some studies, the multidimensional personality approach to motivation and cognitive resources is taken to establish a link with performance/success (Baum & Locke, 2004; Baum *et al.*, 2001; Davidsson, 1991; Korunka *et al.*, 2010) and some other studies have demonstrated such linkages conceptually (Herron & Robinson, 1993).

The comparison between founders and non-founders by Begley & Boyd (1987) indicates that founders score significantly higher than non-founders in need for achievement, risk-taking propensity, and tolerance of ambiguity. However, both groups (founders and non-founders) manifest an internal locus of control that relates to low liquidity ratio as against external locus of control. In another study, Cools (2008) found entrepreneurs when compared with non-entrepreneurs to have higher self-efficacy, proactive personality, internal locus of control and need for achievement, but the characteristics are not linked to growth/performance. Also, Delmar & Wiklund (2008) empirical results show that a business manager's growth motivation (employment and sales) affects growth, with feedback influence from achieved growth on future growth motivation. Collins *et al.* (2004) found achievement motivation to be significantly correlated with the choice of entrepreneurial career and business performance.

A similar positive relationship between motivation and business performance is reported by Baum *et al.* (2001). Importantly, according to Baum *et al.* (2001), the CEOs vision and

motivation are direct predictors of venture growth. Also, self-efficacy is reported to have a direct effect on venture growth (Baum & Locke, 2004), while an entrepreneur's individual influence has twice as much effect upon the business' economic success than its characteristics based on the results reported in Solymossy (1998). Though Delmar & Wiklund (2008) and similar motivational studies (Baum *et al.*, 2001; Stenholm, 2011; Wiklund & Shepherd, 2003) are based on *aspiration* or *intention* and different from motivation examined from depth-psychological dimensions in this study (such as nAch, locus of control, risk-taking propensity and entrepreneurial self-efficacy), the point is established that growth aspiration/motivation can be linked to behaviour (Hessels *et al.*, 2008; Rauch & Frese, 2007) and actual growth/performance (Davidsson, 1991; Utsch & Rauch, 2000).

In most of the studies, the empirical results linking individual dimensions of motivation with performance/success are mixed. The study of motivation from American and French samples by Berthelot (2008) including motivational variables such as need for achievement, locus of control and risk taking propensity in relation to venture performance, reveal mixed findings. Noting that motivation as a construct (venture internalization) is found to be significantly related to performance satisfaction among American samples, but the construct sub-dimensions are not totally supported as the risk-taking propensity is not found to be related to performance satisfaction and only internal locus of control is supported. Similarly, Utsch & Rauch (2000) demonstrate how achievement orientation (such as, nAch, self-efficacy and higher order need) can explain behaviour (described as innovativeness and initiative) in their link to performance in a study of 201 entrepreneurs in Germany. Using a mediation model, the authors found that innovativeness mediates the motivation-performance relationship, whereas initiative does not. The Liao *et al.* (2001) findings in Romania's transitional economy suggest motivational factors assuming a different predictive role depending on the strategy chosen by entrepreneurs to pursue growth, while the moderating role of infrastructure in the motivation-growth relationship is suggestive. Notwithstanding the mixed findings, key meta-analyses provide support for the relationships between personality variables, behaviour and a company's performance/success (Rauch & Frese, 2007; Stewart Jr & Roth, 2001, 2004; Zhao & Seibert, 2006).

### 2.11.2 Cognition and Performance

The relevance of cognition in aiding enterprise performance and wealth creation has long been acknowledged, though with mixed findings. Studies that have taken cognitive perspective of individual entrepreneurs have shown that entrepreneurs that have capability (Baron, 2004a; Chandler & Hanks, 1994), emotional intelligence (McLaughlin, 2012), knowledge, skills and ability (Baum & Locke, 2004; Chandler & Jansen, 1992) are very likely to run successful businesses. Rotefoss & Kolvereid (2005) report that entrepreneurial experience (a component of human capital) is the single most important factor for predicting the outcome of the start-up process among aspiring, nascent and fledging entrepreneurs. Therefore, current and previous experiences in running, investing and attempting to run a business are important factors required to complete the start-up process over and above environmental variables such as financial, political, industrial specialisation, among others. There have been contra results in some instances where human and social capital is found to be insignificantly related to performance measures (Berthelot, 2008; Širec & Močnik, 2010).

In entrepreneurship, there are on-going discussions about the type of skills and abilities that are needed to perform in entrepreneurial roles. Task specific human capital is found to be more pivotal than general human capital (Unger, Rauch, Frese, & Rosenbusch, 2011). Therefore, task related knowledge is more relevant to entrepreneurship than general knowledge as obtained in schools. A similar conclusion is reported by Stuart & Abetti (1990), indicating that though certain personality types may help entrepreneurs to start a business, they may not be that important for business success. Rather, actual entrepreneurial experience (previous new venture involvements and the level of management role played in those ventures) is much more important and seen to be more influential in a venture's early performance than general management experience (including the acquisition of additional degrees). Also, the relevance of previous learning and intelligence to venture growth is confirmed in some longitudinal studies (Baum & Bird, 2010; Baum *et al.*, 2011).

The differences in research findings on the relationship of cognition with business growth or performance notwithstanding, measuring cognitive dynamics across different levels of analysis is noted to be a worthy area of inquiry in research focusing on cognition (Grégoire *et al.*, 2011). In other words, investigating the cross-level influence of KSA of entrepreneurs on performance

variables and context could generate important insights on the cognitive perspective among entrepreneurs running small businesses. Given the support from the literature, it is the goal of this study to empirically evaluate the interactions of KSA with motivation, context and performance variables among small businesses in South Africa. This, in the researcher's view, will lend credence to the possibility of predicting entrepreneurial performance using an interactional modelling approach to entrepreneurial cognition (as represented by knowledge, skills and ability).

### 2.11.3 Context and Performance

One-sided deterministic models focusing on environmental resources as the dominant predictor of performance/success have been criticised for being deterministic. Such models neglect several heterogeneous factors that can influence outcome and are thus limiting an explanation of criterion variables. In predicting business success, would it be better to focus on the person, the context or both? Would it be feasible for an entrepreneur to start or grow a business without the influence of environmental variables? While entrepreneurial behaviours of 'founding' 'managing' and 'growing' a business are important to our understanding of entrepreneurship, it can be argued that the opportunity being exploited exists in the environment and the context (environment) has made its exploitation feasible/possible (Shane & Venkataraman, 2000). Also, being 'alert' to opportunities involves the interactions of individuals and context. While alertness and searching are behavioural activities, they are stimulated by the existence of opportunities in the environment. With this line of argument, several studies have attempted to link either or both the human capital and environment to performance/success with a view to determining the dominant predictor of success (Korunka *et al.*, 2010; Kozan *et al.*, 2006; Liao *et al.*, 2001; Naude, 2011; O'Regan *et al.*, 2011; Rotefoss & Kolvereid, 2005; Širec & Močnik, 2010). Though empirical evidence surrounding the influence of one over the other is still mixed, key findings from several studies confirm the complementary roles of individual and contextual variables in determining business performance, or survival (Korunka *et al.*, 2010). Though, context cannot create business, it can constrain or stimulate its founding, performance and survival.

Addressing the role of context as a performance predictor has led to different treatments of context in a number of studies. Davidsson (1991) asserts that continued entrepreneurship is made possible when a suitable context, industry structure and dynamics are relevant and appropriate for the outcome the entrepreneur is seeking. On the other hand, a suitable context determines the relevance of ability, whereas, industry structure and dynamics have direct and indirect effects on actual growth (Davidsson, 1991, p. 420). The current study recognises that different sub-dimensions of context (economic, socio-cultural and political) may impact enterprise performance differently depending on the individual entrepreneurs and the perception of specific or collective components of contexts. A careful evaluation of the focal influence (moderation) of the context and its institutional dimensions may shed light on such relationships.

## 2.12 Moderating Role of Context

Context is like the field of play where entrepreneurial events and behaviour occur. Characteristically, contexts can serve as predictor, mediator and as moderator depending on the study objectives. Since motivation, cognition and actions occur within a context, it is theoretically plausible to assume that context can moderate the relationship between any of the independent variables and enterprise performance. Few studies lend credence to this assumption. The interactions between founders' competencies and the environment have moderating effects on the growth and sales volume of manufacturing firms studied in the US (Chandler & Hanks, 1994). Context influences venture performance (Hmieleski & Ensley, 2007) and perceived environmental conditions also influence SMEs growth plans (Kozan *et al.*, 2006). The locational factor as moderator is found to be very significant in predicting small firm performance among SMEs in Malaysia (Minai & Lucky, 2011). On the other hand, Solymossy (1998) results suggest that bountiful environmental influences an entrepreneur's personal income and satisfaction but does little to influence the sales or employment growth of the firm. Gartner (1989) points to the need to analyse the moderating and mediating effects of environmental factors in the relationship between personality characteristics and entrepreneurial behaviours within a contingency modelling. A similar suggestion is made by Rauch & Frese (2007) on the need for future research that analyses moderating variables and heterogeneity factors.

Covin & Slevin (1997) model demonstrates that growth aspirations can be moderated by market constraints, owner's capability and organisational resources. Also, Wiklund & Shepherd (2003),

using the theory of planned behaviour (TPB), found that resources and opportunities can constrain an entrepreneur's growth aspiration and determine the extent to which actual growth will materialise. Therefore, contextual variables (such as opportunities offered by a dynamic environment) can moderate the relationship between growth aspirations and actual growth. The findings demonstrate that both motivation and opportunities are necessary for behaviour and growth outcome. Also, infrastructure variables (physical facilities, financial service and government assistance) were found to moderate the motivation-growth relationship among small businesses in Romania (Liao *et al.*, 2001). In addition, The Kozan *et al.* (2006) findings indicate that financial difficulties (as variables of environment) may curtail technology improvement and resource aggregation. Generally, business survival can be predicted on the strength of resources/environment interactions as demonstrated by Korunka *et al.* (2010).

Gartner (1989, p. 31) suggests that research on entrepreneurs' personality traits/characteristics would benefit immensely if environmental factors moderating and mediating the effect of personality traits and characteristics on entrepreneurial behaviours were accounted for. Herron & Robinson (1993), in a structural model of value creation performance (VCP), identified context as a moderator of the relationship between behaviour and performance. The authors posited further that personality traits are mediated by motivation and modified by abilities in their causal link to performance and further modified by context. According to these scholars, such dynamic interactions can be appropriately captured with complex models that take a contingency view of entrepreneurship. Specifically, such contingency models are expected to help specify/clarify entrepreneurial characteristics that are salient to certain types of entrepreneurs in certain types of environment (Gartner, 1989).

From the review of literature so far, context can constrain, discourage and enable entrepreneurial activity, allocation of entrepreneurial efforts and growth intention/plans (Baumol, 1990; Gnyawali & Fogel, 1994; Kozan *et al.*, 2006; Sobel, 2008). Empirical studies linking context with company performance/survival have largely utilised a resource-based approach to explore the question (Korunka *et al.*, 2010; Kozan *et al.*, 2006; O'Regan *et al.*, 2011) while the present study utilises an institutional perspective. Institutional context is reported to influence growth (Autio & Acs, 2010; Stenholm *et al.*, 2013).

## 2.13 The Configuration of Context, Individual Characteristics and Enterprise Performance

Configuration encompasses higher order interactions beyond just the influence of single variables and their two-way interactions. Studies on the interactions of variables have evolved over the years. In its simplistic form, when one variable is related to another variable, an interaction has occurred. However, an 'interaction effect' occurs when the effect of one independent variable on the dependent variable depends on the level of another independent variable (Pallant, 2010). When two variables interact and there is a contingency that allows variations in both the manner and directions of the interactions under certain conditions as determined by the third variable, there is a contingency effect (Baum *et al.*, 2001; Gartner, 1989; Korunka *et al.*, 2010; Rauch *et al.*, 2009; Wiklund & Shepherd, 2005). Statistically, there is an interaction when the relationship between two variables differ significantly due to the values of one or more other variables (Cramer, 2003).

In addition, a configuration modelling approach posits that three or more variables are causatively interrelated in order to predict some specific outcome on the dependent variable (DV) or there are at least three-way interactions (Korunka *et al.*, 2010; Wiklund & Shepherd, 2005). A fundamental premise of configurational theories and methods is that the arrangement of certain variables/attributes has a stronger effect on a dependent variable than the individual effects of the same variables/attributes studied in isolation (Fiss, 2007). The conceptual framework for the study views businesses as complex entities whose success and development depend on the interactions of motivation, cognition and contextual factors as depicted in Figure 2. In SCT, reciprocal determinism according to Bandura (1986, pp. 22-26) indicates multi-faced interactions among variables and constructs, and portrays triadic reciprocality which makes a better understanding of human behaviour a lot more feasible.

The configuration approach taken in this study suits SCT as the theoretical foundation for the study due to its concept of *reciprocal causation* that makes it theoretically plausible for several of the variables under examination to interact. In this instance, motivation, cognition and context can interact in differing configurations to determine the outcome criteria regarding enterprise performance for the total population of entrepreneurs studied.

## 2.14 Conceptual Framework for the Research

This study is conceptualised as a behavioural study within the subfield of entrepreneurial behaviour. Behaviour is assumed to be a key characteristic of entrepreneurs that occurs when motivated and capable individuals act (by taking specific decisions and actions) given their contextual peculiarities to generate some specific company level performance outcomes. Behavioural outcomes of starting and running a business, including the processes, procedures and strategies involved, are critical to enterprise performance, but such behavioural variables are not measured in their discrete forms as defined by Bird *et al.* (2012) in the current study. The assumption is that enterprise performance (outcome) is influenced by behaviour and the context where the behaviour takes place. In other words, performances are not realised in a vacuum; rather, they occur within a context when individual entrepreneurs act in an observable and learnable manner. In the context of this study, behaviour is about the initiation and management of the allocation and re-allocation of economic resources in the company to generate performance and this occurs when motivation, cognition and context interact. This explains the concept and the theoretical proposition of '*triadic reciprocal causation'* (individual, context and behaviour) in Figure 1 and the upper part of the conceptual framework in Figure 3 below.

In line with the theoretical proposition of the social cognitive theories (SCT) and as depicted in Figure 3, motivation as a component of individual characteristics directly influences enterprise performance. The Motivation of entrepreneurs in the research conceptualisation is not a descriptive adjunct for traits but a behavioural variable that can impact enterprise performance (Rauch & Frese, 2007). In this instance, motivated individuals are expected to work towards obtaining the results that give them personal satisfaction while fulfilling other business goals of increasing sales growth, cash flow, market share, net profit and total sales as relevant and applicable.

Further, factors of motivation (such as the need for achievement, locus of control, risk taking propensity, and entrepreneurial self-efficacy) as proposed in this study directly influence the different components of enterprise performance ($Ha_1$-$Ha_{12}$) as hypothesised. The motivational factors are capable of impacting enterprise performance independently and collectively. This proposition is drawn on the conceptual and empirical studies that suggest a positive relationship between some measures of motivation and performance/success (Baum & Locke, 2004;

Berthelot, 2008; Collins *et al.*, 2004; Herron & Robinson, 1993; Lee & Tsang, 2001; Rauch & Frese, 2007; Solymossy, 1998). It is in the research conceptualisation that people who desire a positive business outcome (Rauch & Frese, 2007), those who have a need for achievement (Lee & Tsang, 2001; McClelland, 1961), internal locus of control (Boone *et al.*, 1996; Brockhaus, 1980a), possess self-direction and influence (Bandura, 1986), take calculated risks (McClelland, 1961) and have the capability of translating intention, perceptions of context and personal characteristics into behaviour (Bandura, 1986; Mair, 2005) are more likely to generate the desired personal and business performances. Threfore, the research proposition is that the higher the presence of such characteristics in an entrepreneur the higher the likelihood of their enterprise performance bearing in mind other considerations such as context and cognition.

Also, the conceptual framework as depicted in Figure 3 shows cognitive factors to have a direct influence on enterprise performance. Cognitive factors of knowledge, skill and ability (KSA) are proposed as key components in measuring an individual's capability/competency and could have a direct influence on the different dimensions of enterprise performance ($Hb_1$-$Hb_9$). This proposition rests on the role of perception and thinking in influencing behaviour (Mitchell, Busenitz, *et al.*, 2002). However, the possession of KSA as a bundle of competencies is not enough and may be of limited value compared to its relevance, applicability and generative features in influencing performance. It is how these cognitive resources are utilised in business circumstances leading to performance that matters and not their possession. In the research conceptualisation, the cognitive process is individualised and context specific and this is the reason why those who have cognitive resources and utilise them appropriately most likely run better performing businesses than others. A dated knowledge is of limited benefit in an ever-changing business environment. This is why people make adjustments as the situation demands in their business. It is really about how the acquired knowledge is structured when applied in the real business circumstance (Krueger, 2007), and its generative capability (Bandura, 1986, 1993), and not just its accumulation or possession.

It is proposed in the research model in Figure 2 that behaviour occurs when motivation and cognitive factors interact to influence enterprise performance. The consequences of such interactions on different outcome variables is hypothesised ($Hc_1$-$Hc_{21}$). In addition, since behaviour does not occur in a vacuum but within a context. Context influences enterprise

performance indirectly. Socio-cultural, political and economic factors are capable of differing influences on enterprise performance. These propositions are based on the theories that posit that context significantly influences outcome variables in business and that business is imprinted within an environment where it exists and its performance is predicated on the dictates of such environment (Stinchcombe, 1965). In this regard, while some businesses perform well under favourable political institutional arrangements, others may be better off with socio-cultural and/or suitable economic environments or a combination of all of these. In other words, individual entrepreneurs could not have acted or performed without suitable institutional contexts. The study therefore proposes that context (with its dimensions of socio-cultural, political and economic as reflective factors) moderates the relationship of motivation and cognition on enterprise performance ($Hd_1$-$Hd_{21}$ for socio-cultural context, $He_1$-$He_{21}$ for political context, and $Hf_1$-$Hf_{21}$ for economic contexts as moderators). In other words, all of the latent constructs are hypothesised as second order reflective constructs with a view to investigating all variables of interest.

The proposition that context influences enterprise performance directly is highly deterministic, though theoretically plausible based on the *theory of organizational imprinting.* However, further propositions are made in the current study to extend such deterministic theory by testing the interactions of key constructs and variables based on the theoretical propositions espoused in SCT. A Favourable institutional context cannot create or grow a business without entrepreneurs. It is only motivated and capable individuals that can initiate, develop and grow an enterprise. Therefore, a suitable context, while it may not guarantee performance/success, can constrain or enhance performance. In advancing such possibilities, the study therefore proposes to test the extent with which the interactions of key predictors of motivation, cognition and context will influence performances in small businesses in South Africa.

Based on the theoretical foundation espoused in SCT, the research focus, and the hypotheses proposed, the conceptual framework for the study is depicted in Figure 3 below:

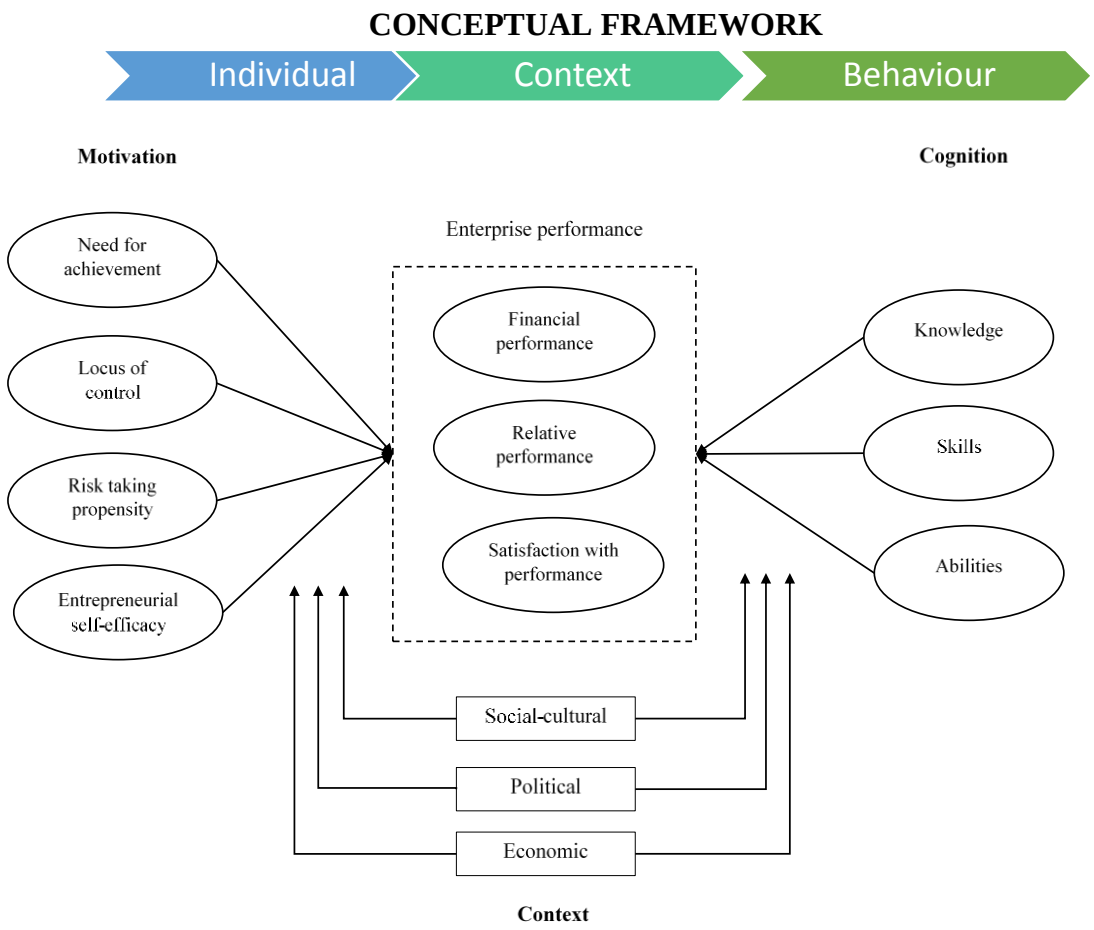



**Figure 3: Simplified Conceptual Framework for the Research**

**Sources:**
Social Cognitive **Theory (SCT)** is adopted from Bandura (1986). **Motivation** variables are adopted from the literature such as Lee & Tsang, 2001; Chjoedt & Shaver, 2012; Berthelot- 2008; Chen, Gully & Eden- 2001. **Cognition** developed by the current author based on the knowledge typology from Berthoin-Anal, 2000 & Lipuma *et. al.* 2011, and Skill & ability from studies such as Chandler & Hanks, 1993, 1994; Davidson, 1991; Hofer & Sanberg, 1987; Shane *et al*. 2003. **Context** measures are generally adopted and adapted from GEM framework and the works of Gnyawali & Fogel, 1994 and others. **Enterprise Performance** adapted from Chandler & Hanks, 1993, and Cooper & Artz, 1995 with inputs from the current author.

Scholars have suggested the need to develop more sophisticated models that address cross level responsiveness involving founder, business, and environmental level constructs in small enterprises with a view to identifying and measuring how individual level constructs translate into business level outcomes (Carsrud & Johnson, 1989; Chandler & Hanks, 1994) and the current study is in response to such calls. From Figure 3 above, the individual dimensions of motivation and cognitive factors are capable of being linked with the context and enterprise performance dimensions distinctively and collectively. Such a configuration model is in response

to cross level modelling of the interactions of individual, businesses and the environment and the resulting performance. According to Bandura (1986, p. 3), SCT is necessitated by the need to shift the focus of causal analysis from internal dynamics to the reciprocal causation between personal and environmental factors. Such combinations of social, cognitive and contextual perspectives allow for meaningful theory development based on focal constructs with a view to determining their predictive generality or falsification. The conceptual framework above provides an important guide for research design and model operationalisation.

## 2.15 Research Hypotheses

The following hypotheses are formulated to test the effect of the various dimensions of motivation (need for achievement, locus of control, risk-taking propensity, entrepreneurial self-efficacy) and cognition (Knowledge, skill and ability) as well as the moderation effect of socio-cultural, political and economic contexts on the dimensions of enterprise performance (financial, relative and satisfaction) in an African emerging economy and in line with the conceptual framework for the research.

i. Motivational factors significantly influence dimensions of enterprise performance ($Ha_1$- $Ha_{12}$).
ii. Cognitive factors significantly influence dimensions of enterprise performance ($Hb_1$- $Hb_9$).
iii. Motivational and cognitive factors significantly influence enterprise performance ($Hc_1$- $Hc_{21}$).
iv. Socio-cultural, political and economic factors each significantly moderate the influence of motivational and cognitive factors on enterprise performance (Socio-cultural: $Hd_1$- $Hd_{21}$, Political: $He_1$- $He_{21}$, and Economic: $Hf_1$- $Hf_{21}$).

The operational frameworks for the hypotheses tested in this study, showing the interrelationships are specified in Figure 4 below.

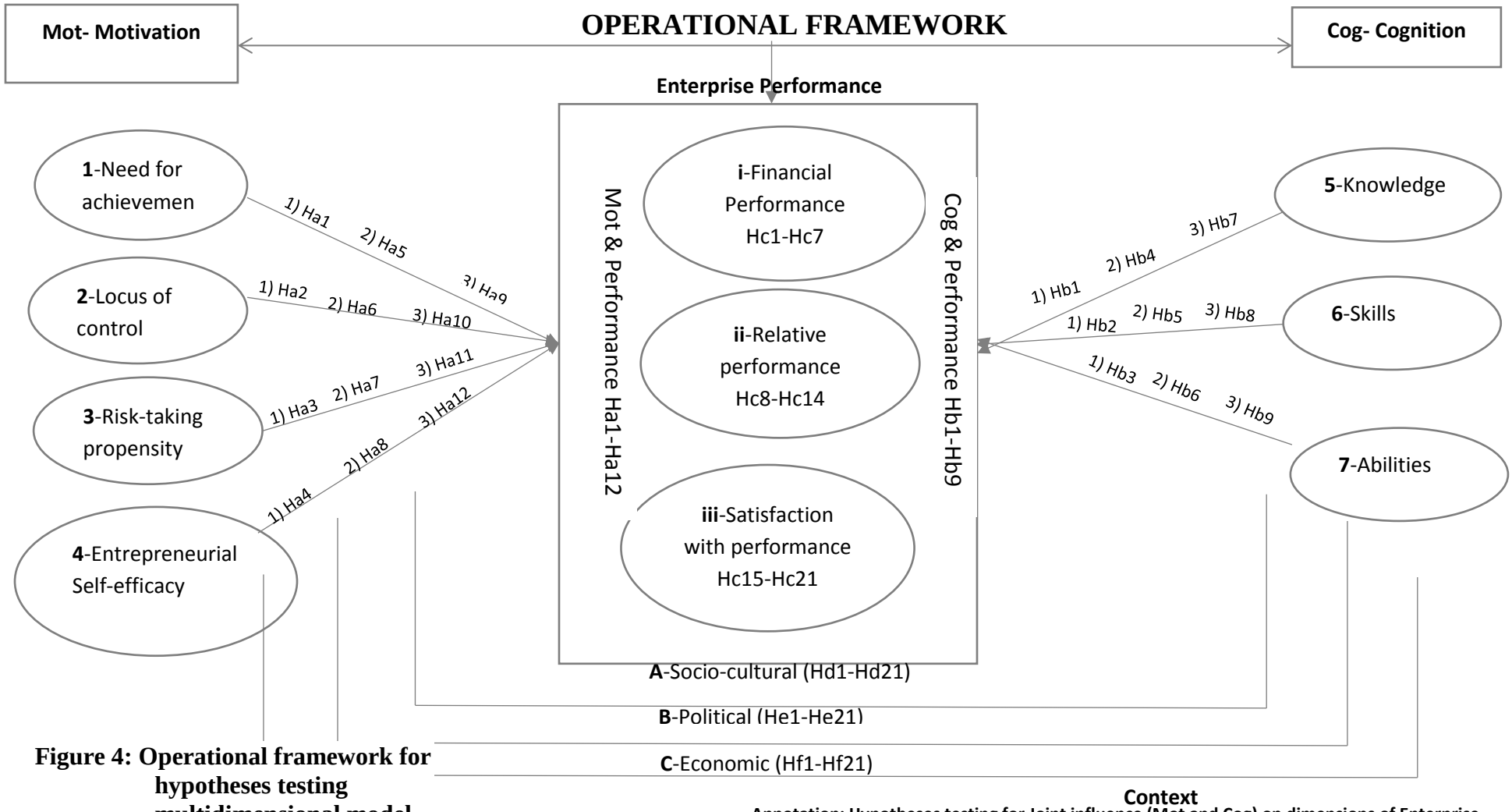



**Figure 4: Operational framework for hypotheses testing multidimensional model of enterprise performance**

**Annotation: Hypotheses testing for Joint influence (Mot and Cog) on dimensions of Enterprise performance**

**Annotation: Moderating hypotheses on the influence of each of the dimensions of Context**

Socio-cultural context (**A**) moderates each of the labels 1-7 in relation to FPF (Hd1-Hd7), RPF (Hd8-Hd14), SPF (Hd15-Hd21).

Political context (**B**) moderates each of the labels 1-7 on FPF (He1-He7), RPF (He8-He14), SPF (He15-He21)

Economic context (**C**) moderates each of labels 1-7 on FPF (Hf1-Hf7), RPF (Hf8-Hf14), SPF (Hf15-Hf21)

**Abbreviations and Labelling**

MOT: Motivation (1, 2, 3-4)
COG: Cognition (5,6,7)
FPF: Financial performance of the company (i)
RPF: Relative performance (ii)
SPF: Satisfaction with performance (iii)
Socio-cultural (A), Political (B), Economic (C)

## 2.16 Chapter Conclusion

The chapter examined the extant literature tracing the historical antecedents of psychological approaches to personality characteristics with specific emphases on traits and behavioural approaches. Efforts were made to establish individual characteristics of motivation and cognitive factors as key variables relevant to the entrepreneurship domain and worthy of examination in an emerging economic context. The existing literature offers a limited empirical investigation of the multidimensional nature of entrepreneurial characteristics, especially the cognitive factors of knowledge, skill and ability and the institutional approach to contextual variables relevant to Africa's emerging economic context. Therefore, a configurational modelling of entrepreneurial characteristics in an emerging economic context in Africa covering a wide range of entrepreneurs and diverse businesses is yet to be demonstrated in the existing literature. It is the objective of the current study to close this research gap.

The literature review also helped to establish the relationships among different concepts, constructs and variables that have been of relevance both in the development of the conceptual framework, research methodology/design, hypotheses formulation, philosophy and multidimensional modelling of owners' characteristics in small and medium scale enterprises. Specifically, the literature provided important insights into the contextual peculiarities of South Africa given its dual-logic context. Compared to many other African countries, South Africa is an efficiency driven economy with relatively developed infrastructure, regulations and financial systems but with low level total early stage entrepreneurial activity (TEA), high business discontinuous rate, poor attitude towards business founding, high school drop-out rate, among other factors. These contextual variables are brought to the fore using the institutional perspectives of economic, socio-cultural and political contexts. Specific emphasis was placed on the context as composed of the institutions that enable and empower. This was reinforced with disadvantage theories due to the underlining assumption of contextual dynamics and the historical peculiarity (apartheid) of South Africa.

In the research conceptualisation, enterprise performance was considered from a multidimensional perspective and the relevance of multiple measures of financial, relative and satisfaction with performance was discussed and propositions were made. The theoretical framework that best captures such cross-level interactions of individual, business and

environmental factors was invoked through the social cognitive theories (SCT). As conceptualised, entrepreneurial behaviour was a better predictor of business performance than personality traits. Behaviour is influenced by the interactions of motivational characteristics (depth-psychological variables), cognitive factors (KSA) and contextual variables in differing configurations. Quality behavioural activities would hardly result from unmotivated and unskilled individuals even when the context is favourable. While context can constrain, discourage or stimulate entrepreneurial behaviour it cannot start and grow an enterprise without motivated and capable individuals. It is hereby submitted that there is high potential for entrepreneurs to perform when motivation, cognition and context work together for them in symphonic unison.

# CHAPTER THREE

# RESEARCH DESIGN AND METHODOLOGY

This chapter describes the research design and methodology for the study. It starts with a discussion of the philosophical premise of the thesis as the basis for the research design. It proceeds to explain the population and sample selection, questionnaire and semi-structured in-depth interview development, procedure for data collection, analysis techniques, and the overall research designs and plans. The chapter concludes with the relevance of the methodology chosen in addressing the fundamental research questions and objectives of the study.

## 3.1 Philosophical Foundation

In the social sciences, two key philosophical traditions that have been developed and widely utilised are positivism and social constructionism (Easterby-Smith *et al.*, 2015). While positivism emphasises the independence of the observer (researcher), social constructionism expects the observer to be part of what is being observed. According to this latter paradigm, '*reality*' cannot be determined by objective and external factors but by people's experience, thinking and feeling. In other words, reality is being socially constructed, and meanings and interpretations are derived as such. The nature of reality (ontology) within the current research will require the interpretation of relationships among key focal variables as well as the practical significance of the research outcome. This can best be assessed by both an objective and subjective evaluation of the phenomenon. The epistemology or the process of observation for the current study is therefore based on pragmatism (Saunders *et al.*, 2012). This is in recognition of the fact that there may be multiple realities, therefore combining positivism and social constructionism[5] (Easterby-Smith *et al.*, 2015).

What constitutes acceptable knowledge in this study (epistemology) requires that quantitative data collection (questionnaire) and qualitative interview are combined with a view to verifying or falsifying theory (deduction) and generating a new theory (induction) respectively (Saunders *et al.*, 2012). The important idea behind positivism is that the social world is external, and its properties need to be measured objectively rather than by subjective inference of sensation, reflection and intuition (Easterby-Smith *et al.*, 2015). A positivist approach assists the researcher to make empirical observations with a view to generating an

[5] Saunders *et al.,* (2012, 137) use the term 'interpretivism' in similar manner as social constructionism

outcome based on the relationships of some observed variables or phenomenon. According to Neuman (2011, p. 81), the positivist emphasises discovering causal laws, careful empirical observation and value-free research.

The positivist assumption of reality is that it is ordered with a pattern, though it may be difficult to access directly but it does exist (Neuman, 2011, p. 82). Because it exists, it can be examined empirically. Empirical examination will require that claims are made about this reality that is '*out there'*. Ontological assumption is what happens when the researcher follows a process of observation (epistemology) to understand the reality *out there*. This makes it feasible to rigorously examine key variables and constructs with a view to generating appropriate explanations for the relationships, to provide answers to key research questions by the testing of hypotheses.

On the other hand, social constructionism is based on the premise that 'societal reality' is determined by people and, therefore, human actions are based on sense making instead of external stimuli (Easterby-Smith *et al.,* 2015). The aim of social constructionism is to increase the general understanding of the phenomenon being investigated. The idea that peoples' experiences are socially constructed, subjective and internal gives this philosophical orientation a unique relevance. The importance and meanings that people attach to their experience need to be constructed and appreciated but not reduced to inferences with a view to demonstrating causality. Rather, social constructionism focuses on what people are thinking and feeling, individually and collectively, with a view to inducing ideas and generating understanding (Easterby-Smith *et al.*, 2015).

Social cognitive theory (SCT) is selected based on its appropriateness for a social psychological study of human beings as facilitating agents in entrepreneurial endeavour. The South African context provides ample justification to apply SCT as the study tests the interactions of individual psychological and contextual factors in an emerging market environment. The need to avoid ecological fallacy where units of analysis are mismatched (Neuman, 2011) further underscores the use of SCT as the underpinning theoretical framework in order to integrate the contributions of all focal variables of individual (motivation and cognition), enterprise performance and context within a reciprocal causation framework.

A pragmatist philosophical approach to mixed methods, while appropriating the benefits of the philosophical foundations of positivism and social constructionism, leads to gaining a

better understanding of the research questions. While the positivist lays the foundation for empirical observation of the target populations using questionnaires, a social constructionist approach provides the meaning and interpretation regarding the details of the situation individual entrepreneurs are going through using interviews. Utilising such a pragmatist approach allows the researcher to integrate different perspectives to help interpret the data (Saunders *et al.*, 2012).

### 3.2 Research Approach and Design

Inductive and deductive scientific approaches to research are the most common among scholars in the domain (Begley & Boyd, 1987; Berthelot, 2008; McLaughlin, 2012; Stone, 2012). While inductive research focuses on theory building using exploratory design technique, deduction is the process of arriving at conclusions by testing the theory and interpreting the results of the data analysis (Sekaran, 1992). It is common practice in research to test hypotheses using deductive research and to generate hypotheses through inductive research design. In Social Science research; the subject matter of the research is people and therefore different observers may have different viewpoints and what may be accepted as truth may vary according to place, time, the process of information gathering, and the way the quality of the research is judged or assessed (Easterby-Smith *et al.*, 2015). Scholars in management research methodology have referred to these respective approaches in terms of using a qualitative approach for inductive research and a quantitative approach for deductive research (Creswell, 2009; Sekaran, 1992). Advocacy for mixing these research methods is gradually gaining popularity given the benefits embedded in the different approaches in terms of more in-depth 'holistic' research (Creswell, 2009).

The data collection involves independent quantitative and qualitative survey strategies. The quantitative approach involves a process that begins with gaining insights from the existing knowledge base, theories, formulating hypotheses, conducting scientific inquiries and drawing conclusions from the results of the study towards confirming/falsifying evidence (Easterby-Smith *et al.*, 2015; Sekaran, 1992). The deductive theory (quantitative) approach is selected for a theoretical framework for the research based on the concerns expressed by scholars in the domain regarding the paucity of theory that is intellectually rigorous, practically useful, and multi-dimensional in its conceptualisation and has as its purpose an analysis of several variables across different levels. It is adjudged by many scholars to be eminently useful practically, for policy decisions (Easterby-Smith *et al.*, 2015).

The nature of the hypotheses formulated for this research indicates that a cross-sectional survey method is ideal for the data collection. This quantitative method enables the gathering of data just once over a period to answer the research question. It involves selection of different organisations, or units, in different contexts, and investigates the relationships between a number of variables across these units (Easterby-Smith *et al.*, 2015). This method is ideal for a study that has a group of individuals as the unit of inquiry. A cross-sectional survey ensures a balance between cost efficiency and parsimony (Creswell, 2009; Sekaran, 1992). According to Sekaran (1992), in using this method, efficiency in sampling is achieved by the researcher because the sampling design chosen, results either in cost reduction to the researcher and/or in greater precision in terms of sample size. The study design attempts to appropriate and maximise these benefits in terms of its accuracy and reliability.

The inductive approach uses a range of interview techniques which are used in addition and are complementary to the deductive method and quantitative approach. Interviews can be conducted face to face and/or by telephone. With the advances in social media and other electronic devices, computer aided devices like Skype, WhatsApp, and Messenger, can also be used to conduct interviews. These interview techniques and means have peculiar advantages and disadvantages. In this study, the face to face interview approach was utilised to collect data. Semi-structured interview questions were designed and utilised to obtain responses regarding the key variables in the research. This kind of interview has the main advantage of allowing the researcher to adapt the questions as and, when necessary, remove any doubts, and ensure clarity and understanding of the questions by the respondents. Despite these benefits, it comes with the challenges associated with the training of research assistants in terms of minimising their biases as interviewers as well as eliciting clear and detailed responses from interviewees, costs, time, and distance related to covering different geographical locations, and processing the data (Sekaran, 1992).

The need for theoretical interactions and overlap in research by using a mixed methods methodology are increasingly acknowledged (Saunders *et al.*, 2012, p. 164). Given a strong quantitative orientation of this study, the thesis adopts concurrent embedded mixed methods strategy where qualitative approach strengthens the quantitative approach (Creswell, 2009). According to Creswell (2009), concurrent embedded strategy has the benefit of gaining broader perspectives of the phenomenon under investigation instead of using the predominant method alone. This rationale forms the basis for the adoption of questionnaire and interviews data collection techniques in this study.

### 3.3 Unit of Analysis and Inquiry

The individual entrepreneur is the unit of inquiry and analysis in this study. A unit of analysis is the main level at which data is aggregated or applied; it can be individuals, groups, events, organisations, among others (Easterby-Smith *et al.*, 2015). It is not uncommon for a single individual within an organisation to report on personal, business and environmental variables (Berthelot, 2008; Cools, 2008; Kozan *et al.*, 2006; McLaughlin, 2012). Importantly, the central focus of the research is the entrepreneur. The research assumption is that what the entrepreneurs do and/or fail to do ultimately impacts on the business, and that entrepreneurs have self-awareness within the framework of social cognitive theory (Bandura, 1986).

The behavioural approach adopted for the study revolves around entrepreneurs that have ownership, management, and decision-making responsibilities regardless of their mode of entry into business. This reflects where individual owners are more often the 'visionary' and motivator (Baum *et al.*, 2001), decision makers and the final source of authority (Brouthers *et al.*, 1998; Chandler & Hanks, 1994; Sanberg, 1986) that engender business performance/success.

### 3.4 Measurement of Constructs

Measurement is important to accurately represent the concept of interest and it is instrumental in the selection of analytical methods (Hair *et al.*, 2010). A variable is anything that can be measured and can take on differing or varying values. Defining variable and the resulting data (either metric or non-metric) as part of the process of operationalisation has enormous impact on data representation and analysis according to Hair *et al.* (2010). Variables must be measured in a way that enhances the ease of hypotheses testing and drawing of inferences. The study adopts a combination of metric (interval and ratio scales) and non-metric (nominal and ordinal scales) measurement scales. In behavioural research, Sekaran (1992) submits that there are at least two types of variables: objective and subjective. While the former lends itself to precise and objective measurement, the latter does not lend itself to precise measurement. Subjective measures such as feelings and perception of individuals can be adequately measured by reducing the abstract notions or concepts such as motivation or satisfaction to observable behaviours and characteristics exhibited by those who possess these qualities (Sekaran, 1992).

In small business, asking for sensitive information in a survey may reduce the response rates (Dillman, Sinclair, & Clark, 1993). In addition, small businesses are known to be privately held and not publicly traded entities, therefore may not be under statutory obligation to disclose certain business information (Chandler & Hanks, 1993; Dess & Robinson, 1984). Chandler & Hanks (1993) submit that conventional return measures such as the return on equity (ROE), return on investment (ROI) and return on asset (ROA) are highly problematic to measure among small businesses since physical assets and investments may be very low, and the financial break-even points are often impractical to determine due to longitudinal sample requirements. Determining fixed assets can be particularly complicated among small business and is considered relatively unimportant in an SMEs' balance sheet both in the developed and developing economies (Falkena *et al.*, 2001). Measurement as used here is an all-encompassing term that involves identifying key variables and concepts, operationalising them, with a view to deriving results or outcomes. The following sections highlight how different variables are measured, starting with the dependent variables.

### 3.4.1 Measurement of Dependent Variables

The current study adapts firm performance measures that suit the peculiarity of SMMEs and owners in the South African context. Business performance comprises financial and non-financial measures. The financial performance measures are: sales growth, cash flow, market share, net profit and total sales adapted from Chandler & Hanks (1993) with inputs from the current author. The adaptation of the performance items is to ensure the respondents understand the performance measures using simple but not very technical language. It is the assumption in this study that business owners have a clear idea about sales figures, profit, cash transactions and liquidity positions, as well as market share in comparison with competitors. Business owners also have a clear understanding about capital investment in commercial transactions, minus expenses incurred and the resulting net profit. In the research conceptualisation, these items are seen as not technically difficult for the cross section of SME entrepreneurs in the research.

The performance indicators of financial, relative and owners' personal satisfaction are evaluated as time series measures and not at a static point in time. The CEO self-reported financial, non-financial and archival performance measures are considered empirically valid (Chandler & Hanks, 1994; Rauch *et al.*, 2009). The relative performance measure evaluates the respondents' business performance with competitors in the same industry, age and stage

of development based on the five specified performance items. The assumption here is that business owners have a fair idea of how their business is performing relative to other operators in the same industry and stages of development. Previous studies have also proven the appropriateness of relative performance measures in entrepreneurship research (Chandler & Hanks, 1993; Dess & Robinson, 1984; McLaughlin, 2012).

The non-financial measure of business owners' satisfaction seeks to assess the entrepreneurs' level of satisfaction on four dimensions in line with the approach introduced by Cooper & Artz (1995). Some modifications were made to the original Cooper & Artz (1995) scale by adopting and rephrasing the item, '*Personal overall satisfaction with this business compared with what I expected when the business started'.* Also, '*Personal satisfaction with the general performance in the business*' was adapted from Chandler & Hanks (1993), and the other two measures of '*Personal satisfaction with what I do in the business'*, and '*Personal satisfaction with customers, staff and stakeholders'* were developed by the current author. The four items in the Cooper & Artz (1995) scale represented one underlying factor based on factor analysis with the Cronbach alpha value of 0.78. This is an acceptable internal consistency well above the benchmark of 0.70 (Nunnally, 1978).

Furthermore, research work on the measurement of *Business owners' personal satisfaction* is still evolving and there has not been consensus on what constitutes the best measures despite the agreement on its high disclosure rate, internal consistency, relevance and face validity (Chandler & Hanks, 1993; Cooper & Artz, 1995; Murphy & Callaway, 2004). Its psychometric properties are not yet well developed, and there are reasons to argue that different people may not be satisfied with the same level or indicators of performance. The original item from Cooper & Artz (1995), '*Willingness to start the same business again*' while it is an indication of personal satisfaction, can be broken down into specifics. The two new items introduced by the current author are very specific about what will make the owners want to repeat the business again without duplicating sales and profit items (Cooper & Artz, 1995), or growth, business volume and relative performance (Chandler & Hanks, 1993). This makes the measures complementary, especially for this study which utilises multiple performance measures focusing on entrepreneurs as the unit of analysis. This includes introducing measures of *business engagement as a satisfying endeavour* and *personal satisfaction with customers, staff and stakeholders* is an important improvement on the existing scales.

The measurement of financial and relative performance was anchored on a 5-point Likert scale type of between 1-*substantial decrease* and 5-*substantial increase.* Porter (1980) suggests that companies are aware of the activities of their competitors. The satisfaction with performance scale was anchored on a 5-point Likert scale type of between 1-*very dissatisfied* and 5-*very satisfied*.

### 3.4.2 Measurement of Other Variables

Emerging from the literature, several measures of motivation, cognition and context exist. Motivation is measured in four behavioural dimensions as discussed in Chapter Two and in line with previous studies (Begley & Boyd, 1987; Berthelot, 2008; Cools, 2008; Shane *et al.*, 2003; Solymossy, 1998; Vecchio, 2003). The need for achievement (nAch) is measured using the three items dimensional validated scale from Lee & Tsang (2001) with a Cronbach Alpha of 0.81 demonstrating its validity and reliability. The scale focuses on the desire of the business owners to connect with their business goals, achieving the desired results, and maintaining persistence which ultimately brings the desired satisfaction. For the locus of control, the 3-dimensional measure from Schjoedt & Shaver (2012) is adopted because it captures the dynamics of the construct with goodness-of-fit index of 0.99. Risk taking propensity is measured using the scale originally developed by Gomez-Mejia & Balkin (1989) and modified by Berthelot (2008) for American and French samples in the United States. The scale has a Cronbach Alpha of 0.74 and it is domain specific. Entrepreneurial self-efficacy (ESE) is measured with five items from the eight-item new general self-efficacy (NGSE) scale by Chen *et al.* (2001). The NGSE scale has the ability to predict specific self-efficacy (SSE) for a variety of tasks in different contexts. It is relevant and reliable with fewer items than Sherer, Maddux, Mercandante, Prentice-Dunn, Jacobs, & Rogers (1982) and Chen *et al.* (1998) scales and a superior Cronbach Alpha of 0.910 and Eigen value of 6.418 (Urban, 2010).

The three dimensions of cognitive factors of knowledge, skills and abilities (KSA) are spelt out without grouping the variables together as ‘capability’, ‘competency’ or ‘expertise’ as in the previous studies (Baum *et al.*, 2001; Chandler & Hanks, 1994; Chandler & Jansen, 1992; Markman & Baron, 2003). The dimensions of KSA are spelt out to determine the focal contribution to the performance of the business or capability of the owners. Knowledge is measured using five items with questions around knowledge typologies based on the existing literature (Berthoin-Antal, 2000; Lipuma *et al.*, 2011). The respondents give responses based

on their perception of know-why, Know-What, Know-How, Know-Who and previous education and training. The study also differentiates skills from abilities. This is to understand which of these two cognitive factors could be more relevant and useful to some specific business owners than others given their context. This is relevant for policy making, practice and theory development.

The scale and items for measuring skills and abilities are developed by the author from the extant literature (Chandler & Hanks, 1993, 1994; Davidsson, 1991; Hofer & Sandberg, 1987; Shane, 2003). Skills dwell more on mastering the process and operational '*competencies*' with five items, while abilities emphasise higher levels of emotional, administrative, leadership, financial and technical '*expertise*' with six items. The focus of skill measures is about getting the money and people required, organisation, supervision, resource allocation and networking. Abilities combine experience, emotional, financial and technical 'expertise' with high level business environmental awareness, and the internal drive to see the business to fruition and success. In other words, skill is the competency to *effectively manage the day to day activities* of the business, abilities are the *emotional, financial and technical expertise combined with experience in engaging effectively and efficiently in business activities leading to the desired outcomes.* Skills and abilities may confer differential advantages to those who possess and utilise them in running their businesses.

The measurement of context specific to small business is highly dispersed. However, the institutional approach adopted provides a lead on the items to be included in measuring various dimensions. Specifically, studies by Gnyawali & Fogel (1994); Shane (2003); Xavier *et al.* (2012) provide an important guide on the choice of the institutional constructs. Measures of socio-cultural dimensions are developed from a GEM expert Survey (GEM, 2012) and Liao & Welsch (2003) with six items. The economic dimension scale which is developed from GEM (2012) and Gnyawali & Fogel (1994) comprises four items. The political dimension is developed by the author from several literature sources (Gnyawali & Fogel, 1994; Luthans *et al.*, 2000; Shane, 2003; Solymossy, 1998) with four items. Therefore context is measured with a 14-item Likert type scale.

Motivation and cognition were anchored on a 5-point Likert type scale of between 1-*Strongly disagreed* and 5- *Strongly agree*. Similarly, context has a five-point Likert type scale. The section on background information is designed with both choice and fillable options. They are measured with a combination of ordinal, nominal and interval scales. For instance, gender

is measured using a nominal/categorical scale with two items, male and female. Education and ethnic backgrounds are measured with five and six ordinal measures respectively. Variables like business age, number of employees and years of business and managerial experience of the business owners are measured with fillable and interval scaling options. This is done with the intention of gaining continuous data.

In conclusion, the research instrument is designed to capture relevant data for ease of analysing the relationship between and among constructs and variables of interest to the study. The indicators are presented in Table 3.1.

**Table 3. 1: Indicators of Independent, Moderating and Dependent variables**

| **Predictor-Motivation ($X_1$)** | **Predictor-Cognition ($X_2$)** | **Moderator- Context (Z)** | **Outcome- Enterprise Performance (Y)** |
|---|---|---|---|
| Need for achievement | Knowledge | Social-cultural context | Financial Performance |
| Locus of control | Skill | Economic context | Relative Performance |
| Risk taking Propensity | Ability | Political context | Performance Satisfaction |
| Entrepreneurial self-efficacy | | | |

Source: Literature review/The conceptual framework

### 3.5 Population and Sampling Frame

The population comprises of entrepreneurs who are the decision makers in small, micro, and medium enterprises (SMMEs) in the emerging economy of South Africa operating within the three metros of Cape Town, Durban and Johannesburg as defined by NSB Act 1996 and subsequent amendments. The choice is based on well-known economic reasons for the localisation of business and empirical facts. Small businesses are likely to be attracted to locations that are economically viable in terms of access to raw materials, infrastructure, personnel, finance and markets (Boyd, 2009; Kushnir, Mirmulstein, & Ramalho, 2010). The selection corroborates previous finding that highlight the concentration of SMMEs in South African provinces to be largely influenced by the economic significance of the area, in particular the size of its GDP (Falkena *et al.*, 2001). The choice of sampling location is therefore influenced by the economic viability of these metros and large concentrations of SMMEs across sectors in these locations. Between 2013 and 2014, the metros were also ranked among the top five metros in South Africa by GDP, population, and employment by

the Brookings Institute (Parilla *et al.*, 2015). The commercial metros can therefore be considered to be, representative of SMMEs in other geographical locations in South Africa that exhibit similar characteristics.

The target respondents from the business population were founders, owners, successors and decision makers rather than venture capitalists who might not be involved in everyday business decision making or might be in full time employment elsewhere. The restriction to decision makers was relevant because the understanding the research is seeking could best be assessed and provided through individuals who were involved in the thinking, motivation and actions that generate business performance. Chandler & Hanks (1994) suggested that the performance of small business founders is measured by the performance of their businesses and that the growth of small business is largely dependent on the capacity of the small business owners (decision makers) to manage growth (Covin & Slevin, 1997). The participating businesses for the study were selected on the basis of employing at least one person with the upper limit set at 200 employees based on the definition of SMMEs in South Africa (NSB, 2003).

In a developed economy like the US, there is wide disparity in terms of the threshold of what constitute SMEs when compared with South Africa. The US Small Business Administration (SBA) (Title 13, Code of Federal Regulations, Part 121) specifies the size limit for manufacturers to be between 500 and 1500 employees, while the limit for wholesalers is set at 100 employees. The maximum limit of 200 employees for SMMEs in South Africa is lower than the US especially across a sectoral comparison. Characteristically, small firms have been found to make moderately rational strategic decisions that revolve around the business owners, and an owners' personality has been found to influence decision making (Brouthers *et al.*, 1998). This approach permits a broader inclusion of different enterprises/sectors within the acceptable definition of small business set out in the NSB Acts, 1996 and subsequent amendments.

The minimum business age is three years. Three years is considered acceptable for surviving business in the domain (Baum *et al.*, 2001; Stenholm, 2011). There have been mixed findings on the failure rate of SMEs, one finding indicating between 50 per cent and 95 per cent (with an average 71 per cent) in the fifth year for South Africa (Willemse, 2010), while the GEM report of 2008 shows that a high percentage of SMEs globally may not survive beyond 3.5 years or 42 months. This is an indication of positive conditions for business survival for those

businesses that survived beyond this threshold (Bosma, Acs, Autio, Coduras, & Levie, 2008). South Africa is also reported to be among the lowest in the efficiency-driven category in terms of new business owner managers (2.1 per cent) and established business owner managers (2.3 per cent) rates. This result indicates also the low survival rate of SMMEs in South Africa. Three years is, therefore, considered as a reasonable minimum age for the participating enterprises.

The number of SMMEs in South Africa is still unknown (Falkena *et al.*, 2001). However, the study relied on the database from the Companies and Intellectual Property Commission (CIPC) as a reference point for all businesses in the three metros. The CIPC is the South African regulatory institution responsible for the "*Registration of Companies, Co-operatives and Intellectual Property Rights (trademarks, patents, designs and copyright) and maintenance thereof*"[6] in line with its primary institutional mandate from the Companies Act, 2008[7]. The CIPC provided a database of registered businesses for the three metros as at 2015. Therefore, the target population for the study based on the CIPC database after careful screening was 31,155 registered enterprises, with an assumption of at lease one entrepreneur in every enterprise.

### 3.6 Questionnaire Survey and Procedures

The questionnaire design and survey procedure are discussed in the following sections.

#### 3.6.1 Sample Size Selection: Questionnaire

The selected samples (respondents) were entrepreneurs *defined as individuals who are actively involved in the day to day decision making and management of the business and are not in full-time paid employment elsewhere*. Founders, owner managers and successors that met the established criteria of the day-to-day running of the business as decision makers were randomly selected as respondents.

The sample selection was based on the recommendation by Soper (2016). By applying the Soper calculator to the model in this study which has 34 observed variables, 8 latent variables, with a 95 per cent statistical power level, the recommended sample size for a CB-

[6] http://www.cipc.gov.za/index.php/about/our-functions/
[7] https://www.saica.co.za/Portals/

SEM analysis should be 2733 and the minimum sample size deemed appropriate for a model structure in order to have statistically reliable results according to Soper was 91. However, justifying the selection of the final sample size on the premise that a larger sample size is better for a structural model (Kline, 2011), a total of 364 research instruments (questionnaires) were administered, out of which 312 were retrievable.

### 3.6.2 Questionnaire Design

In designing the questionnaire for the study, close attention was paid to the choice of language, respect for the participants, introduction, instructions, framing of the survey as a request for help, appeal to the group values, making questions interesting and convenient to answer (Cavusgil & Das, 1997; Easterby-Smith *et al.*, 2015; Saunders *et al.*, 2012). The designing of individual questionnaires can take three pathways: researchers may *adopt*, *adapt* or *develop* new questions (Saunders *et al.*, 2012). This study utilised all of the three pathways in the development of the questionnaire.

The nature of this study informed the decision to adopt instruments where available, validated and relevant. The instruments used in the measurement of motivation factors of need for achievement, locus of control, risk taking propensity and entrepreneurial self-efficacy were adopted. For the cognitive factors of knowledge, skills and abilities (KSA), new instruments were developed. Whereas existing instruments were modified for enterprise performance variables of financial, relative and personal satisfaction with performance; questions relating to contextual factors of social-cultural, economic and political were adapted.

The questionnaire contained multi-item scales divided into five sections, developed from scholarly literature and official documents suitable for the type of primary data collected and the statistical analysis selected for the study. It forms the basis for construct identification, model specification and development to provide answers to various components of the research questions. There were two inbuilt filter questions in the survey. The first question asked whether the respondent was a *decision maker* in the business with a ‘yes’ or ‘no’ answer. And the second filter question was about *business age*. Any respondent that ran a business of less than three years old was screened. The idea was to identify the respondents (entrepreneurs) that meet the decision making and business age criteria believed to be important to enterprise performance.

The questionnaire was targeted at business owners starting with an introductory statement inviting the respondents to voluntarily participate in the study with an assurance of confidentiality and anonymity of response (see Appendix 5). The introduction highlighted why their participation is important both to the research and the public, with a view to increasing the response rate. Section one addresses basic personal details of the respondents such as gender, age, ethnicity, educational background, and past business and managerial experience. It includes details about the characteristics of the business, such as age, number of employees, industry classification, and operational spread among others. Section two focused on the dependent variable, enterprise performance and its components classified into three sections: Financial performance, relative performance and personal satisfaction with performance.

The third section addressed motivation with four key factors of need for achievement, locus of control, risk taking propensity and entrepreneurial self-efficacy. Section four addressed issues surrounding cognitive factors of knowledge, skills and abilities. Lastly in section five, context was evaluated along with the three key institutional variables of social-cultural, economic and political contexts. However, in adapting the instruments for context, careful thought was given to the South African context; therefore, an institutional perspective was taken. This is a clear departure from existing studies in this specialisation which utilised environmental variables/measures (Baum *et al.*, 2001; Berthelot, 2008; McLaughlin, 2012; Solymossy, 1998).

In addition, considerable efforts were devoted to the length and content of the questionnaire to ensure that the language and content were easy to understand. The questions were framed in the English language, being the official language for business transactions in South Africa. Importantly, language use was carefully constructed and an existing instrument was adapted for language concurrence, where applicable (Cavusgil & Das, 1997), given the cultural diversity of small business owners in South Africa. A maximum of sixteen items per key construct were observed. To perform a SEM analysis, four indicators per construct is recommended for model reliability and hypotheses testing (Hair *et al.*, 2010). Though the minimum threshold is generally observed in questionnaire development for this study, some already validated and adopted scales such as Need for achievement and Locus of control contained three items each (Lee & Tsang, 2001; Schjoedt & Shaver, 2012). In SEM, having three items per latent construct is equally acceptable, especially when other constructs have

more than three indicators (Hair *et al.,* 2010). This requirement supports parameter stability and guides against under-identification, under-estimation and convergence problems.

As part of the process of questionnaire development, relevant inputs were sourced from experts, and entrepreneurs to evaluate the instrument in terms of clarity in language and content. All suggestions from these sources were incorporated into the instrument design. However, after the pilot test, a few confusing items were removed. For instance, 'Investor', added to describe owner manager, and 'others', as an option for 'ethnic' background, were both removed.

### 3.6.3 Questionnaire Survey and Administration

This study isolated for the three biggest metros in South Africa (Cape Town, Durban and Johannesburg) after which a stratified sampling approach was then utilised. A complete database (sampling frame) of registered enterprises for the three metros as at the end of 2015 was obtained from the CIPC. After screening the database carefully for duplicate cases, there were 31,155 registered enterprises. Among the total frame of registered enterprises, 364 enterprises were randomly selected, and self-administered questionnaires were distributed.

Prior to the commencement of the survey, the questionnaire was pre-tested using both emails and physical addresses. Pilot testing the questionnaire allowed the researcher to monitor the ease of answering the questionnaire, its administration, scoring, logistics and revision of the instrument where necessary. Four responses obtained through the face-to-face pilot testing, were added to the final analysis without repetition because the researcher had no reason to review the questionnaire after that stage, whereas the initial responses obtained from the online pilot survey were discarded due to a few corrections made after that stage.

At the beginning of the field work, a link to the questionnaire was sent by email to those whose e-mail addresses were available and functional. The online survey was carried out using an e-mail survey conducted through the Google Forms platform created within the domain of the University of the Witwatersrand, South Africa. Google Form is an online platform for the distribution of questionnaires to a wide audience via e-mail addresses. Online electronic survey is gaining popularity in the domain (Arend, 2012; Berthelot, 2008; Cools, 2008; Urban, 2010).

However, due to a low response rate from the emails, there was a resolve for improvisation in which questionnaires were printed and administered at the physical addresses of randomly selected enterprises. The face-to-face administration involved establishing initial contacts with the respondents by any of the combinations of telephone and physical addresses. The physical contact was planned based on location and the respondents' willingness to participate.

Importantly, the use of the data base from the CIPC ensured that respondents were not contacted haphazardly. It reduced the incidence of sending emails that could be perceived as spam/junk, while Google has an additional benefit of being able to send a direct hyperlink of the questionnaire via emails to the target sample. This eliminated the use of email attachments since many respondents might have had reservations about opening attachments that could be perceived as containing harmful viruses. In line with the advice given by Saunders *et al.* (2012), emails were sent out between Monday and Thursday of the week when it was expected that the target respondents were likely to be receptive. Fridays and days surrounding public holidays were avoided.

## 3.7 Interview Survey and Procedures

### 3.7.1 Interview Sample Size Selection

The study population were entrepreneurs and business owners operating within the three metros of Cape Town, Durban and Johannesburg in South Africa. One hundred potential respondents were contacted through telephone, email and personal visits. Respondents were selected with gender, ethnic and geographic location in mind. Thirty-five interviews were conducted with twenty-two males and thirteen females across the three metros in South Africa. The selection was based on the need for balanced representation across gender and locations. However, in certain instances, the researcher received cooperation from more males than females and this was responsible in part for the differences across gender in these locations. A participant selection flowchart is presented in Figure 5.

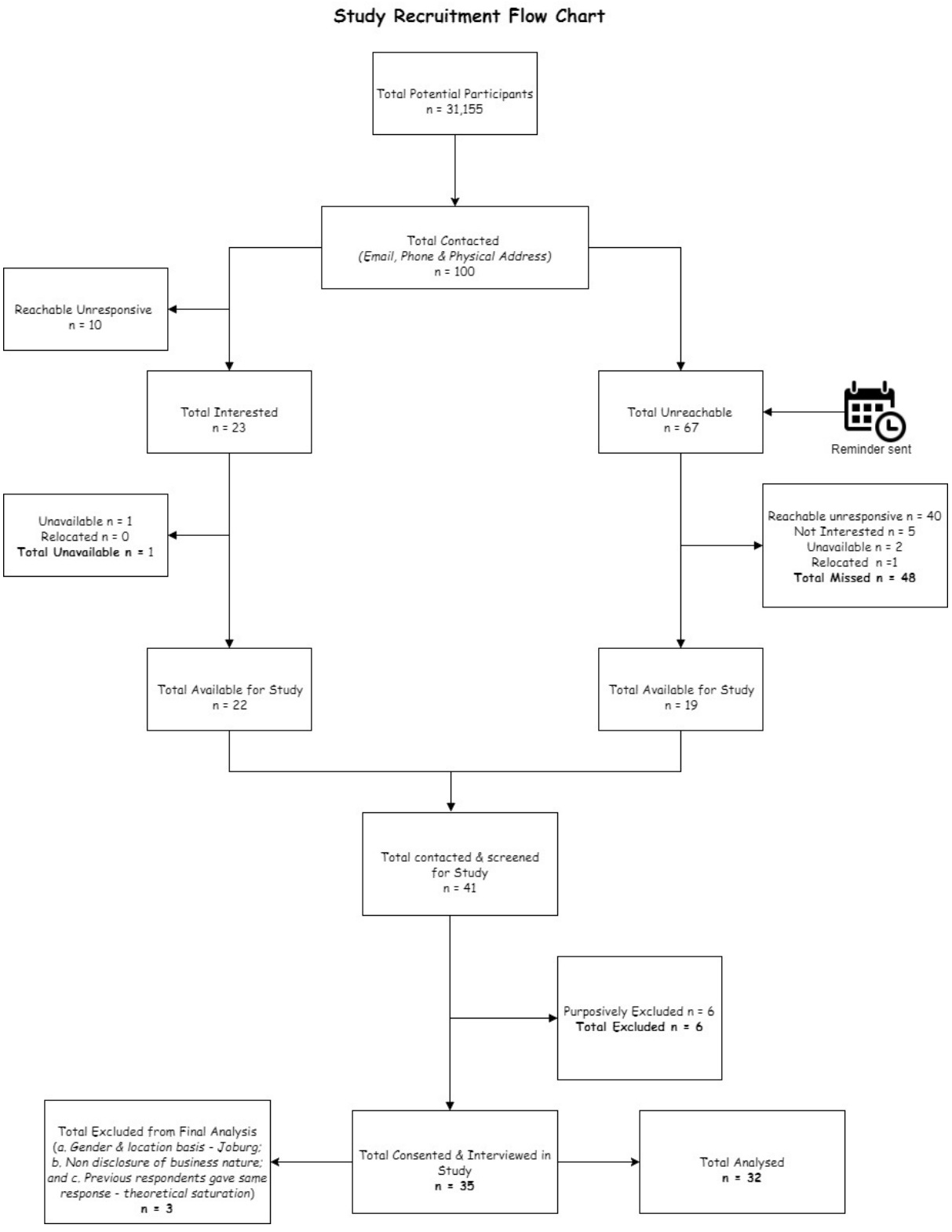



**Figure 5: Interview participant selection flowchart**

### 3.7.2 Interview Protocol

An interview guide comprised of nineteen semi-structured questions was developed. The preference for semi-structured interviews was informed based on its combination of structure, flexibility and responsiveness (Legard, Keegan, & Ward, 2003), all of which enhance the generation of data that are strongly rooted in the opinions of participants. The protocol for the interview required that the respondents were approached with courtesy followed by the introduction of the interviewer, stating the purpose of the research and a request for consent to be interviewed was made and the consent was obtained. In obtaining the consent, the respondents (interviewees) were informed that their responses would be audio-taped, notes might be made, and participation could be withdrawn at any stage during the interviews and the research. The consent was obtained in two ways where feasible, by signing a consent form and audio-recording. The decision to sign or not rests with the respondents. Further details are available in Appendix 6.

### 3.7.3 Interviews Data Collection

The qualitative phase of the study utilised purposive sampling. The purposive sampling was deemed superior to other qualitative sampling approaches for the purpose of this study, due to its amenability for detailed exploration and comparison of divergent views across different sub-groups of participants (Lewis & Ritchie, 2003). For instance, convenience sampling was not considered since the characteristics of respondents (sampling parameter) which could potentially give some divergent insights into the views of entrepreneur's around the constructs under exploration would be potentially lost. Also, snowballing sampling was deemed inappropriate since the population under exploration is not difficult to reach.

Findings from the literature review phase of this study informed the development of the interview questions. All interviews were conducted face-to- face across the three metros by the researcher and two trained research assistants with post graduate degrees and research experience. Respondents were invited to voluntarily participate in the interviews and briefed on the study objectives prior to the commencement of the interviews. All interview sessions were audio recorded with participants' consent. The interview sessions lasted for maximum of an hour depending on the respondents. All interviewers kept field diaries which were used to capture interesting dynamics that were unspecific to the interview proceedings.

## 3.8 Data Analysis Approach- Questionnaire

### 3.8.1 Justification for the analytical Framework- Partial Least Squares structural equations modelling

To test the main hypotheses developed in the previous chapter, the variance-based structural equations modelling, partial least square-SEM (PLS-SEM) software SmartPLS version 3.2.4 was used. PLS-SEM is a causal modelling approach aimed at maximising the explained variance of the dependent latent constructs (Hair, Ringle, & Sarstedt, 2011). Although PLS-SEM is similar to using multiple regression analysis, both statistical methods focus on maximising the explained variance in the dependent construct(s). PLS-SEM additionally evaluates the data quality on the basis of measurement model characteristics. Hair *et al.* (2011) advise that the use of PLS-SEM above covariance-based structural equations modelling (CB-SEM) should be evaluated on criteria such as the research goals, measurement model specification, the structural model, data characteristics and algorithm, and model evaluation. Based on the discussion in Hair *et al.* (2011), the use of PLS-SEM in this study to assess the main effects is based on the following:

- For CB-SEM, the assumption of multivariate normality of the data must be met. In this study, the assumption that the data are from a multivariate normal population was rejected. The null hypothesis was tested that the data are from a multivariate-normal population using the statistical software programme SAS 9.4. The Mardia Skewness test-statistic was 125e3 ($\rho<.0001$) and the Mardia Kurtosis test-statistic was 147.2 ($\rho<.0001$). Based on these two test statistics, it was concluded that the null hypothesis can be rejected that the data are from a multivariate-normal population.
- The sample size was insufficient for the use of CB-SEM to assess the main hypotheses. Using the a-priori sample size calculator for structural equations modelling developed by Soper (2016), the recommended samples size to detect a small effect (0.1), with a statistical power level of 95 per cent in a structural model comprising eight latent variables and 34 observed variables, at a probability level of 95 per cent, is 2733 respondents. The sample size in this study is only 312 respondents. Thus, it would be more appropriate to adopt the use of PLS-SEM to assess the main hypotheses as recommended by Hair *et al.* (2011). Furthermore, the sample size does exceed the minimum sample size of ten times the largest number of structural paths directed at a particular latent construct in the structural model. Based

on this guideline proposed by Hair *et al.* (2011), the minimum sample size required to test a main-effects model in this study would be 70 respondents (7 structural paths x 10).

Importantly, PLS-SEM has the benefit of robustness in handling identification problem that may be associated with CB-SEM when the data is small. Unlike CB-SEM, PLS-SEM makes fewer demands of the data and does not estimate model fit statistics (Kline, 2011). Model fit statistics such as comparative fit index (CFI), goodness of fit index (GFI), increment fit index (IFI), normal fit Index (NFI), root mean square error approximation (RMSEA), standardised root mean square residual (SRMR), among others are associated with theory testing and explanation in CB-SEM. PLS-SEM lays much emphasis on theory development and prediction rather than explanation (Hair *et al.*, 2011).

### 3.8.2 Assessment of the measurement model

Before the hypotheses can be tested, the psychometric properties of the measurement model (also referred to as the outer model in PLS-SEM) must be evaluated by means of a confirmatory factor analysis (CFA), also using SmartPLS version 3.2.4. The validity of a reflective measurement model was assessed by evaluating the internal consistency of the measurement model, the convergent validity and discriminant validity of the measurement model. Overall, the evaluation enables the evaluation of the reliability and the validity of the construct measures (Hair Jr, Hult, Ringle, & Sarstedt, 2017, p. 106). In addition, the mean measures the central tendency, the standard deviation (SD) measures the average spread around the mean (or deviation of observed data from the mean). The lower the SD, the higher the level of efficiency with which the sample represents the population and the more the statistical means are a good model fit of the actual data. Generally, the signs of skew index (SI) and kurtosis index (KI) give the direction and type of skewness and 'peakedness' respectively (-ve or +ve) (Kline, 2011).The cut off points of 2.0 and 7.0 respectively are considered ideal for skewness and kurtosis (Curran, West, & Finch, 1997).

In PLS-SEM, it is best to assess internal consistent using the composite reliability (CR) criterion, instead of the traditional criterion Cronbach's alpha. Hair *et al.* (2011, p. 145) explain the advantage of using CR as follows – "Unlike Cronbach's alpha, composite reliability does not assume that all indicators are equally reliable, making it more suitable for PLS-SEM, which prioritises indicators according to their reliability during model estimation." CR values greater than 0.6 are acceptable, while values greater than 0.7 is ideal.

The CR value of a construct can be calculated using the following equation (Hair Jr *et al.*, 2017, p. 111)

$$CR = \frac{(\sum_{i=1}^{M} \iota_i)^2}{(\sum_{i=1}^{M} \iota_i)^2 + \sum_{i=1}^{M} var(e_i)}$$

Where:
$M$= specific construct measured with M indicators
$\iota$ = standardised outer loading of the indicator variable $i$
$var(e_i)$ = variance of the measurement error.

Convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct (Hair Jr *et al.*, 2017, p. 112). Convergent validity is examined by evaluating the average variance extracted (AVE) of each construct in the measurement model and the indicator reliability. Generally, if the outer loading of an indicator is 0.7 and higher, the indicator is considered reliable and retained in the model. However, an indicator loading as low as 0.4 is also acceptable, as long as the low loading does not result in a CR value below the suggested threshold value of 0.6. When the indicator loading is equal to and more than 0.4, but lower than 0.7, and it results in the CR below the threshold of 0.6, it can be deleted if the remaining indicators of the construct presented sufficient content validity. An AVE value of 0.5 and higher indicates a sufficient degree of convergent validity. In other words, when the AVE is 0.5 and higher, the latent variable explains more than half of its indicators' variance. The AVE of a construct can be calculated using the following equation (Hair Jr *et al.*, 2017, p. 114).

$$AVE = \frac{\sum_{i=1}^{M} \iota_i^2}{M}$$

Where:
$\iota$ = standardised outer loading of the indicator variable $i$
$M$ = the number of items

To assess the discriminant validity of the measurement model, the Fornell-Larcker criterion (Fornell & Larcker, 1981) was adopted. The Fornell–Larcker criterion postulates that a latent construct shares more variance with its assigned indicators than with another latent variable in the structural model. For evidence of discriminant validity, the square root of the AVE of each construct in the model should be greater than the latent construct's highest correlation with any other latent construct.

### 3.8.3 Assessment of the principal components analysis of enterprise performance

Having established the reliability and validity of the measurement model, principal components analysis (PCA) was utilised to describe the performance of the enterprise (financial performance, relative performance and satisfaction with performance) as the outcome of the study. The PCA allowed several variables of performance indicators to be reduced to a few (in this instance, single number). This approach had several advantages in terms of the ability to determine the *internal structure* of various measures of enterprise performance, extracting the scores for each of the indicators and assisting in interpretation of the correlates of enterprise performance. PCA is relevant to look for patterns that may be hidden (Easterby-Smith, Thorpe & Jackson, 2015, p. 96).

The primary purpose of a PCA is descriptive and not hypothesis testing. The decision for this analysis was made based on what provides a good, concise description of enterprise performance (see Appendix 1b). In doing this, a latent variable which is the equation-level score of the PCA (i.e. the derivative of the log likelihood with respect to the linear prediction) was derived using Stata 13. This score was cross-examined with each of the explanatory variable to assess the pattern of enterprise performance. The extracted scores of performance indicators were examined to understand the patterns of performance across selected background characteristics of respondents (see Table 4.6).

### 3.8.4 Assessment of the structural model

Prior to the assessment of the full structural model that contains the combined factors of motivation and cognition, which is the main line of theorising in the thesis, related hypotheses were tested to establish the relationship of the unadjusted effects of the motivational and cognitive factors on enterprise performance. The structural models were evaluated based on the $R^2$ measures, the levels and significance of the path coefficients.

The $R^2$, also known as the coefficient of determination, is a measure of a model's predictive accuracy. The $R^2$ represents the combined effect of the exogenous variables on the endogenous variable(s) and ranges from 0 to 1 with 1 representing complete predictive accuracy (Hair Jr, Sarstedt, Hopkins, & G. Kuppelwieser, 2014). The following "rough" rule of thumb applies to the interpretation of the $R^2$ in terms of the predictive accuracy of a hypothesised model 0.75, 0.50 and 0.25, respectively describing substantial, moderate, or weak levels of predictive accuracy (Hair Jr *et al.*, 2014). Path coefficients are standardised on

a range from -1 to +1. Coefficients closer to +1 represent strong positive relations. On the other hand, coefficients close to -1 represent strong negative relationships (Hair Jr *et al.*, 2014).

To assess the statistical significance of a path coefficient, a standard error must be obtained using the bootstrapping test for significance. PLS-SEM applies non-parametric bootstrapping as it assumes that the data are not normally distributed and therefore require a resampling (Hair *et al.*, 2011). PLS Bootstrapping procedure, according to Hair Jr *et al.* (2014), requires creating a large, prespecified number of bootstrap samples (in this instance, 5000) from the original sample using randomly drawn cases (same as original) with replacement. In addition, the PLS algorithm estimates the SEM results from each of the bootstrap samples (in this instance, 5000 PLS-SEM estimations). The repeated bootstrap parameter estimates are used to create an empirical sampling distribution for each model parameter (calculating the mean of each estimated coefficients across all the subsample models). This is followed by estimating the standard deviation of the derived sampling distribution as a proxy for the empirical standard error (se) for the parameter.

Once the path model coefficients are obtained as a bootstrap distribution (approximation of sampling distribution), a student t-test can be performed to measure the significance of the path model relationships of each parameter. The likelihood of the estimate coefficients statistically different from zero is determined. In this study, the critical value for the t-test is 1.96 which equals a p-value of 0.05 (two-tailed).

Additionally, a PLS-SEM bootstrapping analysis allows for the statistical testing of the hypothesis that a coefficient equals zero (null hypothesis) as opposed to the alternative hypothesis that the coefficient does not equal zero (two-tailed test). Thus, in addition to the two previous conditions identified for the acceptance of a hypothesis, the bootstrapping analysis must also reject the null hypothesis that the coefficient equals zero. Thus, if a path coefficient is in the hypothesised direction and the t-value is equal to or greater than 1.96, the hypothesis can be accepted, and the bootstrapping results are interpreted. The analysis approach was to first estimate the unadjusted effects of motivation (Table 4.7, Appendix 2a-2c) and cognition (Table 4.8, Appendix 2d-2f) on various dimensions of enterprise performance: financial, relative and satisfaction. Thereafter, the adjusted effect of the combination of the two covariates on enterprise performance (financial, relative and satisfaction) was estimated.

### 3.8.5 Assessment of the moderation hypotheses

The moderation hypotheses are tested using the PROCESS macro version 2.13.1. PROCESS uses an ordinary least squares framework for estimating direct effects and two-way interactions in moderation models along with simple slopes and regions of significance for probing interactions (Hayes, 2016). In testing the moderation hypotheses, the following procedures were followed.

#### 3.8.5.1 Multiple regression equation

As shown below, a single regression equation forms the basic moderation model.

$$Y = i + \beta_1 X + \beta_2 Z + \beta_3 XZ + e$$

Where $\beta_1$ is the coefficient relating the independent variable, X, to the outcome, Y, when Z=0, $\beta_2$ is the coefficient relating the moderator variable, Z, to the outcome when X=0, *i* is the intercept in the equation, and *e* is the residual in the equation (Fairchild & MacKinnon, 2009). The regression coefficient for the interaction term, $\beta_3$, provides an estimate of the moderation effect. If $\beta_3$ is statistically different from zero, there is significant moderation of the X-Y relation in the data (Fairchild & MacKinnon, 2009). Furthermore, as recommended by Frazier, Tix, & Barron (2004) unstandardised coefficients (B) are reported in the PROCESS results. Taking this into consideration, the first step in assessing the moderation effect of each dimension of Context will be to estimate a regression model using IBM SPSS version 23 that includes the four factors relating to Motivation and the three factors relating to Cognition as determinants of, for example, Financial performance of the company, as well as the moderator, for example, Political environment, and interaction terms for each of the four factors relating to Motivation and the three factors relating to Cognition with the Political environment. Significant interaction terms, based on the reported p-value and the bias-corrected confidence interval, is interpreted further to provide insight into the moderation effects. For completeness, the following model diagnostics of each of the regression models is also reported:

- The coefficient of determination $R^2$.
- The *F*-ratio and the associated significance of the *F*-ratio. The *F*-ratio tests the following hypotheses - $H_0: \beta_1 = 0$ and $H_A: \beta_1 \neq 0$. Rejection of $H_0$ indicates that at least one coefficient in the model is relevant to explain the variability of the dependent variable (Mazzocchi, 2008, p. 184)

### 3.8.5.2 Application of simple slopes and Johnson-Neyman technique

The second step in the moderation testing entails plotting the interaction effects. Plotting interaction effects aids in the interpretation of moderation to show how the slope of Y on X is dependent on the value of the moderator variable (Z). Regression slopes that correspond to the prediction of Y from X at a single value of Z are termed simple slopes (Fairchild & MacKinnon, 2009). In PROCESS version 2.13.1, the moderator values in simple slopes analysis are "low" (1 SD below the mean), the "mean" (the mean of Z), and "high" (1 SD above the mean). Therefore medium will equal the mean. The mean is simply, the mean of the mean for each respondent's answer for the set of items used to measure the construct.

Additionally, the PROCESS macro provides the results for the Johnson-Neyman (J-N) technique. The Johnson-Neyman technique provides the exact 'region of significance' (or 'non-significance') for the conditional effect of the focal predictor, and to calculate confidence bands to quantify the precision of the point estimate of the conditional effect (Miller, Stromeyer, & Schwieterman, 2013). The J-N precise region of significance for the moderator (contextual factors in this study) gives one an idea about the nature of the interactions beyond mere description of the typical 'high vs low' +/- 1SD in simple slopes. It shows that the effect test is significantly different from zero. This explanation is applicable to all generated J-N precise regions of significance in Chapter Four.

## 3.9 Data Analysis Approach- Interviews

The data analysis is in line with the pragmatist approach that emphasises multiple realities. The interview data were analysed using a content analysis approach with ATLAS.ti software version 7 (Friese, 2013). Content analysis aims at drawing systematic inferences from qualitative data that have been structured by a set of ideas or concepts (Easterby-Smith *et al.*, 2015). Content analysis has a positivist leaning, despite being an interpretive qualitative method. The approach is useful for hypothesis testing and theory building because the data are interrogated for the presence, meanings and relationships of a pre-existing theory or hypothesis, from either the research questions or the data (Easterby-Smith *et al.,* 2015, p. 188).

ATLAS.ti is a powerful workbench for the qualitative analysis of large bodies of textual, graphical, audio, and video data. It helps to sort out enormous and unstructured qualitative data using a systematic approach (Friese, 2012). The content analysis for the study was

conducted following established procedures. The initial step was to get familiar with the field notes, listening to the recordings, and then the verbatim transcription of interview recordings. The transcripts were read and re-read severally. While reading the transcripts, the following questions were continually asked: What were the distinctive features of this study? How did the data collected relate with the research questions? What were the new potential insights that have emerged? A matrix table was generated from the data and the analyses themes were divided into two: for coding, and to populate the matrix table. ATLAS.ti software was then used for compilation. This involved labelling the transcripts appropriately with the identifiers code and loading them into the ATLAS.ti software by adding all the documents (transcripts) as primary documents (PDs).

In all, 32 responses were analysed, 8 respondents from Cape Town, 12 from Durban and Johannesburg respectively. To ensure some degree of representation based on the criteria of gender and location, three male participants from Johannesburg were dropped from the analysis. The decision to expunge three male responses from further analysis helped in achieving gender parity between the male and female ratio, with a 6:6 distribution in Durban and Johannesburg and only one female from Cape Town. The decision rule was based on information processing of responses, especially where the participants' responses were already addressed by other respondents from the same location.

### 3.9.1 Disassembling (Open coding) Levels 1 and 2 coding

Transcribed data were loaded into the software. Inductive and deductive codes in line with the research objectives were derived. The purpose of this stage is for data reduction. One hundred and seven primary codes were generated, which were later merged into seventy-two codes to avoid clumsiness. Secondary coding was employed to ensure that the primary coding generated from the data fits into the corresponding codes. Codes were generated from the interview guide and were defined for the purpose of information retrieval. Primary documents were shared with the support team members for careful review before the codes were merged.

After merging, there was codes cleaning by looking out for different codes with similar meanings and redundant codes using a code analyser. The purpose of the code analyser was to help in accessing codes unused by the coders. This was done to ensure intercoder reliability by subjecting the codes to reliability tests. This has been an issue of interest and

concern in qualitative analysis. According to Bernard & Ryan (2010), using two or more coders provides an opportunity to test whether people think that the same constructs apply to the same set of texts. This was ascertained by three coders. PDs were sorted out into families using gender and location, such as PD family names called '*female*' for female entrepreneurs, and '*male*' for male entrepreneurs. The same was applicable for locations, then they were grouped into families, '*Cape Town*' '*Durban*', and '*Johannesburg*'. These PD families were used to restrict code-based searches like "*Show me all data segment coded with 'motivations for entrepreneurship*'" but also rather to search, for example: '*females in Johannesburg*'. Intentionally, codes that could easily identify interviewees ethnic backgrounds were avoided for contextual sensitivity and to avoid revealing identities that could be linked to the respondents' ethnic backgrounds as much as practicable.

### 3.9.2 Reassembling (Axial coding, selective coding and process coding)

Here patterns were examined by raising level one and two coding to a higher conceptual level to formulate theory, by querying the data, emerging patterns, sifting and sorting ideas. Do the emerging patterns make sense? Do the patterns relate to the concepts and hypothesis formulated at the beginning of the study? Do the patterns change when more data were added? Was it more complicated or expansive? The analysis employed arrays of approach such as matrix and networks. Matrix in its simplest form is a two-dimensional array of rows and columns. It is one of the most common devices for reassembling qualitative data (Miles & Huberman, 1994). Miles, Huberman & Sdana (2014) present numerous types of matrices such as time-ordered (chronological), role ordered, (based on people's roles), case-ordered and conceptually ordered (a set of categories arrayed against another set), query tool, code primary documents and network views.

Using ATLAS.ti with the query tools, such as Boolean operators, during reassembling, constant comparisons on each quotation by checking for similarities and differences, checking for negative instances and rival explanations for observations in the data conducted. The purpose of this was to categorise the emerging excerpts using content analysis. Concept development and theory building using the theory tools building such as network diagrams, they were generated showing the relationship among codes and quotations (code-to-code and hypertext: that is quotation-to-quotation links).

### 3.10 Validity and Reliability of the Interview Data

There have been concerns regarding data quality from the qualitative research due to potential bias. According to Saunders *et al.* (2012), there are three types of potential bias to be considered when gathering qualitative data: interviewer bias regarding the interviewer's attempt to impose personal beliefs or frame of reference in the questions asked. Also, interviewees' response bias concerns the interviewees' perceptions of the interviewer, and the purpose of the research which may lead to withholding of facts or response modifications. Lastly, participation bias relates to the selection of respondents from whose data are collected. These three types of potential bias were considered and carefully addressed by going through the University of the Witwatersrand ethics protocol (See sections 3.7 and 3.11).

Importantly, validity and reliability considered to be fundamental for data quality assurance and integrity in quantitative research, were redefined as credibility and dependability respectively under the qualitative aspect of this study (Patton, 2002). To ensure credibility, a detailed description of the data collection and data analysis process is important. To limit the level of interviewer and interviewees bias, an interview guide was developed (see Appendix 6), prompts were carefully utilised, and respondents could express themselves without undue influence or interruption. In addition, participation bias was minimised by selecting a potentially large pool of respondents across locations and gender and the development of informed consent as part of the ethics protocol.

Dependability relates to transparency of the research methods and reflexivity of the researcher. Patton (2002) defines reflexivity on the side of the researcher in terms of 'self-awareness, 'political/cultural consciousness' and 'ownership of 'own perspective' (p.64). By inference, dependable qualitative research must be iterative. The data obtained through the interview process were recorded on audio-tapes, the challenges encountered by the interviewers were documented (see section 3.12) and the analytical approach adopted was rigorous.

In addition, triangulation of quantitative and qualitative data enhances the credibility of qualitative data (Creswell, 2009). Bearing all of these in mind, the researcher was completely transparent right from the philosophical underpinning, data collection and the sort of analysis that was undertaken in the thesis. The qualitative results complement the quantitative findings with a view to increasing the accuracy of the findings.

### 3.11 Ethical Consideration and Strategy

Ethical consideration is fundamental to the integrity of any research involving human subjects. The strategies to deal with issues of ethics in research were developed in line with the rules and regulations prescribed by the University of the Witwatersrand, Human Research Ethics Committee (non-medical) for studies involving human subjects (see Appendix 7 for ethics clearance certificates). Issues such as trusts, relationship, confidentiality of the information supplied by the respondents, data protection, reciprocity- an assurance that the researcher will keep to the promise made regarding confidentiality of information provided by the respondents, and the manner of reporting are fundamental both to the research and the respondents.

Importantly, trust provides basis for the respondents to accept to participate in the research and may impact on the quality of participation and the research outcome. It is also fundamental to relationship building and reciprocity. The researcher considered building trust around these considerations: the reputation of the host university, the assurance that the university through a committee established for such purpose approved the research and data collection prior to the field work, and the manner of approach, conduct and strategy employed by the researcher in the research process.

Careful thoughts and strategies were developed around these considerations. First, the participants were approached with courtesy, respect and value propositions. Such propositions revolved around the reputation of the University of the Witwatersrand (Wits), the fact that an '*Unconditional*' approval was obtained for the study from the university's ethics committee ahead of the fieldwork (copy of ethics certificate available for sighting and on demand), presenting the request as a help to assist the researcher, in order to achieve the research objectives and the development of SMMEs in South Africa given the research policy focus were used as value propositions for trust building and to solicit for participation. The participants were not unduly influenced to participate in line with the ethics guidelines.

Second, the questionnaires were not pre-coded and no personal information like telephone numbers, names, e-mail addresses were required on the questionnaire (except those who responded to online survey or voluntarily returned the questionnaires as scanned attachment by email). Third, the participants were duly informed that participation was voluntary and that the information collected would be for academic purposes only. Consent documents developed for both the questionnaire and the interviews (See Appendices 5c & 6c). Fourth,

participants were informed that participation could be withdrawn at any stage during the research process (telephone and email address of the researcher were volunteered for this purpose). Fifth, readiness of the researcher to share the outcome of the research with respondents, if so desired and demanded (researcher's email address volunteered). These were meant to boost confidence about the manner of reporting and the usage of the information collected. Sixth, the data storage and information retrieval methodologies were also developed as part of the ethics protocol, in line with the university ethics requirements.

In sum, ethical consideration and strategies that revolved around confidentiality, anonymity, privacy, consent and data protection were developed ahead of field data collection. The University of the Witwatersrand takes ethical considerations very seriously in the research process involving human subjects. In compliance, the researcher therefore applied serious consideration in dealing with this important aspect of the research well in advance and applied the protocols strictly throughout the duration of the study.

### 3.12 Research Challenges

The researcher encountered several challenges in the research process, especially during the data collection process. These include the loss of time, lack of access to a reliable and complete data base (especially with contact details of business owners and decision makers), missing data, delays in obtaining consent to participate (sometimes with more than three weeks' delay before some respondents accepted to be interviewed), unwillingness to participate and lack of conviction (sensitivity to the motive behind the study) which was often accompanied by suspicion and then refusal.

In the beginning, the study was conceptualised as a quantitative, on-line only data gathering survey approach before the adoption of questionnaire and interviews data collection approaches. The quantitative approach was conceptualised and utilised to achieve randomisation, inferences and generalisability of findings from the study. To achieve this, it was decided that a referenced single data base from the register of companies for the target population (three metros of Cape Town, Durban and Johannesburg) would be required and this would be sourced through the CIPC. The CIPC registers all companies and intellectual property rights in South Africa. It collects and keeps an extensive database of registered companies that fall within the target population. It took over four months to satisfy the stringent CIPC procedures and for the data to be supplied.

However, the CIPC data base was found to be inadequate for the kind of information required to reach the target respondents. It had no personal contact details like telephone numbers and e-mails. To overcome this, considerable efforts were devoted to sourcing the information from the public domain. This included an extensive internet search, Google search, use of yellow pages and several other information sources in the public space with implications for time and costs. While this process was ongoing, the initial ethics clearance expired, a twelve months' extension was then sought, and approval obtained.

Having gone through the tedious process of searching for the emails and telephone numbers of participating companies, several of these contact details were found to be unreachable due to inactive email addresses, phone numbers, and changed locations. Some potential respondents contacted by telephone declined participation, while some consented and gave their new e-mail addresses. The pilot study reported a significantly low response of 0.025 per cent (only 5 out of 200 people responded) after about two months with three waves of reminders. The low response led to the review of the data collection approach to incorporate the interview and interviewer administered questionnaire using personal contacts to compliment the online survey. This also required that the researcher applied for an updated ethics clearance certificate which would accommodate the use of questionnaire and interviews data collection methods. The interviews only commenced after the new ethics clearance was obtained, again with cost and time implications.

Another noticeable challenge was that some respondents were not willing to sign the consent forms either for the interviews or questionnaire despite their verbal consent to participate in the research. However, it is important to state that no respondents demanded to be paid for participation as this was explicitly stated in the consent form.

Lots of poorly filled questionnaires was an important drawback. Some questionnaires were improperly completed with lots of missing data, often discovered late at the point of collection. Another challenge was the difficulty in tracking some of the business owners for interviews, some others declined participation after several unsuccessful attempts to secure appointments. Many responses were filtered based on the screening criteria of three years' minimum business continuity, responses obtained from employees (if explicitly stated) and not responding to key constructs questions that might impact on the study outcome. This led to many returned questionnaires not being utilised for the analysis, and more valuable time wasted.

Lastly, it was not feasible to obtain financial data objectively but rather subjectively. However, this was an acknowledged challenge in the domain and not peculiar (Dess & Robinson, 1984).

### 3.13 Chapter Conclusion

This chapter explained the research design and methodology for the study. It acted as a compass through which the study was navigated and executed. It includes relevant sections regarding the research philosophy and the rationale for choosing the pragmatist philosophical approach of mixed methods analysis.

The study is cross-sectional in its approach to data collection from the three metros of Cape Town, Durban and Johannesburg in South Africa. The database for these metros was obtained from the CIPC and is comprised of 31,155 registered companies. The study utilised Soper's (2016) sample calculator to determine the ideal sample. The data collection targeted business owners with decision making authority for both the questionnaire and the interviews. In the final analysis, 312 questionnaire responses and 32 interviews were analysed using PLS-SEM (questionnaire) and ATLAS.ti respectively as the main analytical tools.

The chapter further reported various aspects of the research process, including ethical issues, research challenges and activity timelines. In conclusion, the methodology assisted the researcher in achieving the research objectives.

# CHAPTER FOUR

# QUANTITATIVE RESULTS

This chapter presents the analysis and results of the quantitative data, as well as descriptive statistics, assessment of the measurement model, an assessment of the structural models of the factors of enterprise performance and an assessment of the moderation hypotheses in a thematic approach in line with specific objectives.

## 4.1 Descriptive statistics

The description of the data is summarised in Tables 4.1- 4.3.

### 4.1.1 Respondents' Characteristics

In all, 312 entrepreneurs were sampled across three geographical locations (metros) in South Africa. About one-third of the respondents (34 per cent) were from Cape Town, slightly above one-fifth (22 per cent) from Durban and the remaining (44 per cent) from Johannesburg. More than half of the respondents were males (57 per cent). Over two-third (72 per cent) were between the minimum age of 18 years and the prime age of 45 years. One-fifth (20 per cent) were White, South Africans, about two-fifth (36 per cent) were Black, South Africans and three out of every ten respondents (29 per cent) were non-South Africans.

More than half had either a secondary certificate or a diploma (64 per cent) and one-fifth with a bachelor's degree (21 per cent). More than half (55.7 per cent) had either or both parents with business ownership experience in the past (or at present) and four out of every five respondents had friends or other family members that were business owners. Half of the respondents identified themselves as owner managers (51 per cent), at least one out of every three entrepreneurs (34 per cent) described themselves as founders while very few inherited their businesses as successors (6 per cent).

Although, the experience gained prior to starting a business varied, the majority had at most five years' experience from their parents' business. Similarly, more than half of the respondents (56.30 per cent) had five years or less prior managerial experience and about one third had between six and ten years' managerial experience before venturing into their current business. Generally, the overwhelming majority (90 per cent) had business start-up experience of between one and five businesses they had started so far. Further details are provided in Table 4.1.

## Table 4.1: Respondents Profile

| Respondent Characteristics | Distribution (N=312) | Percent (%) |
|---|---|---|
| **Region**: | | |
| Cape Town | 109 | 34% |
| Durban | 66 | 22% |
| Johannesburg | 137 | 44% |
| **Gender:** | | |
| Male | 179 | 57% |
| Female | 133 | 43% |
| **Age**: | | |
| ≤ 25 | 20 | 6% |
| 25-35 | 125 | 40% |
| 36-45 | 81 | 26% |
| 46-55 | 63 | 20% |
| 56-60 | 15 | 5% |
| 61+ | 8 | 3% |
| **Ethnic Background:** | | |
| Black, South African | 111 | 36% |
| White, South African | 63 | 20% |
| Coloured, South African | 34 | 11% |
| Indian, South African | 13 | 4% |
| Non-South African | 91 | 29% |
| **Educational Level:** | | |
| Primary | 18 | 6% |
| Secondary | 65 | 21% |
| Certificate/Diploma | 136 | 43% |
| Bachelor's Degree | 65 | 21% |
| Master's Degree & Above | 28 | 9% |
| **Either or both parents ever owned a business.** | | |
| Yes | 174 | 55.80% |
| No | 133 | 42.60% |
| No response | 5 | 1.60% |
| **Having close friends or other family members that run their own business.** | | |
| Yes | 251 | 80% |
| No | 61 | 20% |
| **Role in business:** | | |
| Founder | 106 | 34% |
| Owner Manager | 159 | 51% |
| Successor | 17 | 6% |
| Other | 30 | 9% |
| **Experience from parents' business:** | **n=174** | |
| ≤5 | 90 | 51.72% |
| 6 – 10 | 37 | 21.26% |
| 11 – 15 | 17 | 9.77% |
| 16 – 20 | 12 | 6.90% |
| 21 – 25 | 5 | 2.87% |
| No response | 13 | 7.47% |
| **Number of business(es) started so far:** | | |
| ≤5 | 283 | 90.70% |
| 6 – 10 | 9 | 2.90% |
| 11 – 20 | 18 | 5.80% |
| No response | 2 | 0.60% |
| **Managerial experience:** | **n=270** | |
| ≤5 | 152 | 56.30% |
| 6 – 10 | 82 | 30.37% |
| 11 – 15 | 31 | 11.48% |
| 16 – 20 | 1 | 0.37% |
| >20 | 4 | 1.48% |

Source: Primary data

### 4.1.2 [8]Firm Characteristics

The minimum business age was three years with slightly more than half of the businesses reported to have been in operation for between three and five years (55.9 per cent). The three most represented sectors (51 per cent) in the sample were Construction, Wholesale and Retail, and Finance and Business Services, while the other firms spread across other sectors of the South African economy. The majority of the businesses across sectors were operating domestically (90 per cent). Further details about the enterprises in Table 4.2 indicate that most of the firms employed ten or fewer employees, including the owners (71.5 per cent), indicating that they were largely micro and small enterprises. More than half were recent establishments (56 per cent) of 5 years or less in operation.

**Table 4.2: Firm Characteristics**

| Firm Characteristics | Distribution (N=312) | % |
|---|---|---|
| **Industry Sector:** | | |
| Farming/ Agriculture | 22 | 7% |
| Mining & Quarrying | 19 | 6% |
| Manufacturing | 15 | 5% |
| Electricity, Gas & Water | 33 | 11% |
| Construction | 65 | 21% |
| Motor & Repair Services | 13 | 4% |
| Wholesale & Retail | 54 | 17% |
| Catering & Accommodation | 22 | 7% |
| Transport & Storage | 17 | 6% |
| Finance & Business Services | 42 | 13% |
| Community, Social & personal Services | 7 | 2% |
| Others | 3 | 1% |
| **Scope of business:** | | |
| Within my province | 164 | 53% |
| More than one province | 77 | 25% |
| National (Country Wide) | 38 | 12% |
| Other African Countries (Outside South Africa) | 16 | 5% |
| International (Outside Africa) | 17 | 5% |
| **Business age:** | | |
| ≤ 5 | 171 | 55.9% |
| 6-10 | 94 | 30.7% |
| 11-15 | 27 | 8.8% |
| 16-20 | 5 | 1.6% |
| 21-25 | 9 | 2.9% |
| No response | 6 | 1.9% |

[8] Firm as used in this study is synonymous with business, company, enterprise or venture.

| | | |
|---|---|---|
| **Number of employees:** | | |
| ≤ 10 | 223 | 71.5% |
| 11-30 | 49 | 15.7% |
| 31-60 | 22 | 7% |
| 61-90 | 9 | 2.9% |
| >90 | 6 | 1.9% |
| No response | 3 | 1% |

Source: Primary data

### 4.1.3 Measurement for the constructs

The outcome variables for the structural model investigated in the study is presented in Table 4.3. The results indicate that the mean scores for the dependent variables (observed) range between 3.25 and 3.99 with a standard deviation (SD) of between 0.944 and 1.253. The Shapiro-Wilk test of univariate normality is significant (p=0.000), indicating that, the data distribution is not univariate normal (see Appendix 1f). Though this may be due in part to the small standard errors common in large samples, as small normality differences may appear significant (Field, 2009).

All performance measures have negative skewness and kurtosis, except in two values under satisfaction with performance, where kurtosis is positive. Negative values for skewness and kurtosis are an indication that scores do not have an inclination towards low ratings. Generally, all measurement items (appendices 1c-1e) have skewness and kurtosis below the cut off points of 2.0 and 7.0 respectively, an indication that the data for the study is moderately normally distributed.

**Table 4.3: Descriptive statistics for the Outcome Variables**

| Variable | Mean | Std.Dev | Skew | Kurtosis. |
|---|---|---|---|---|
| **Financial Performance** | | | | |
| Sales growth | 3.44 | 1.161 | -0.71 | -0.48 |
| Cash flow | 3.4 | 1.069 | -0.686 | -0.434 |
| Market share | 3.52 | 1.073 | -0.805 | -0.115 |
| Net profit | 3.48 | 1.082 | -0.648 | -0.457 |
| Total Sales | 3.63 | 1.092 | -0.801 | -0.141 |
| **Relative Performance** | | | | |
| Sales growth | 3.25 | 1.253 | -0.407 | -1.006 |
| Cash flow | 3.38 | 1.045 | -0.534 | -0.357 |
| Market share | 3.4 | 1.044 | -0.578 | -0.232 |
| Net profit | 3.44 | 1.121 | -0.645 | -0.431 |
| Total Sales | 3.5 | 1.111 | -0.715 | -0.259 |
| **Satisfaction with Performance** | | | | |
| Satisfaction with what I do in the business | 3.99 | 0.944 | -1.482 | 2.567 |
| Satisfaction with the general performance in the busines | 3.67 | 1.06 | -0.721 | -0.229 |
| Satisfaction with customers, staff and stakeholders. | 3.66 | 1.052 | -1.038 | 0.836 |
| Overall satisfaction with this business compared with what I expected when the business started. | 3.66 | 1.151 | -0.836 | -0.146 |

Source: Primary data

The mean and standard deviations indicating that the sample is a good representation of the population. While the result of the Shapiro-Wilk test for normality shows that the data is not univariate normal, the skewness and kurtosis for all items indicate a fair distribution that supports further estimation.

## 4.2 Assessment of the measurement model

The original measurement model was assessed for internal consistency, convergent validity and discriminant validity. Table 4.4 presents the composite reliability (CR) value for all constructs in the model. All the CR values were greater than 0.7, except for Need for achievement (nAch). The CR value for Need for achievement was 0.600. Furthermore, all constructs had an average variance extracted (AVE) of higher than 0.5, except Need for achievement. The AVE of Need for achievement was 0.436, below the recommended cut-off value of 0.5. Inspection of the loading of each item measuring Need for achievement revealed that the loading of nAch1 was 0.009, which was below the minimum acceptable loading of 0.4. Thus, the item nAch1 demonstrated insufficient internal consistency and was excluded from the analysis. The re-estimation of the measurement model with the data resulted in all constructs meeting the minimum cut-off value for AVE and CR. Indeed, the AVE of the constructs in the modified measurement model ranged from 0.509 to 0.798. The CR values in

the modified measurement model ranged from 0.816 to 0.952. Furthermore, all outer loadings were greater than 0.4.

**Table 4.4: Measurement model: Validity and Reliability Results**

| Constructs | | Items* | Original measurement model | | | Modified measurement model | | |
|---|---|---|---|---|---|---|---|---|
| | | | Outer loadings | AVE | CR | Outer loadings | AVE | CR |
| Motivation | Need for achievement (nAch) | nAch1 | 0.009 | *0.436* | *0.600* | *Excluded* | 0.694 | 0.816 |
| | | nAch2 | 0.637 | | | 0.702 | | |
| | | nAch3 | 0.949 | | | 0.947 | | |
| | Locus of control (LOC) | LOC1 | 0.903 | 0.731 | 0.892 | 0.903 | 0.731 | 0.892 |
| | | LOC2 | 0.882 | | | 0.882 | | |
| | | LOC3 | 0.774 | | | 0.774 | | |
| | Risk-taking propensity (RTP) | RTP1 | 0.892 | 0.748 | 0.922 | 0.892 | 0.748 | 0.922 |
| | | RTP2 | 0.858 | | | 0.858 | | |
| | | RTP3 | 0.875 | | | 0.875 | | |
| | | RTP4 | 0.835 | | | 0.835 | | |
| | Entrepreneurial self-efficacy (ESE) | ESE1 | 0.859 | 0.780 | 0.947 | 0.859 | 0.780 | 0.947 |
| | | ESE2 | 0.882 | | | 0.882 | | |
| | | ESE3 | 0.918 | | | 0.918 | | |
| | | ESE4 | 0.873 | | | 0.873 | | |
| | | ESE5 | 0.883 | | | 0.883 | | |
| Cognition | Knowledge (K) | K1 | 0.772 | 0.682 | 0.915 | 0.772 | 0.682 | 0.915 |
| | | K2 | 0.826 | | | 0.826 | | |
| | | K3 | 0.843 | | | 0.843 | | |
| | | K4 | 0.830 | | | 0.830 | | |
| | | K5 | 0.856 | | | 0.856 | | |
| | Skill (SK) | SK1 | 0.809 | 0.665 | 0.908 | 0.809 | 0.665 | 0.908 |
| | | SK2 | 0.844 | | | 0.845 | | |
| | | SK3 | 0.735 | | | 0.735 | | |
| | | SK4 | 0.856 | | | 0.856 | | |
| | | SK5 | 0.828 | | | 0.828 | | |
| | Ability (AB) | AB1 | 0.684 | 0.581 | 0.892 | 0.684 | 0.581 | 0.892 |
| | | AB2 | 0.790 | | | 0.790 | | |
| | | AB3 | 0.847 | | | 0.847 | | |
| | | AB4 | 0.793 | | | 0.793 | | |
| | | AB5 | 0.708 | | | 0.708 | | |
| | | AB6 | 0.736 | | | 0.736 | | |
| Enterprise performance | Financial performance of firm (FPF) | FPF1 | 0.891 | 0.754 | 0.938 | 0.892 | 0.754 | 0.938 |
| | | FPF2 | 0.922 | | | 0.921 | | |
| | | FPF3 | 0.693 | | | 0.692 | | |
| | | FPF4 | 0.916 | | | 0.917 | | |
| | | FPF5 | 0.898 | | | 0.899 | | |
| | Relative performance of firm (RPF) | RPF1 | 0.899 | 0.798 | 0.952 | 0.899 | 0.798 | 0.952 |
| | | RPF2 | 0.940 | | | 0.940 | | |
| | | RPF3 | 0.855 | | | 0.855 | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | RPF4 | 0.890 | | | 0.890 | | |
| | | RPF5 | 0.878 | | | 0.879 | | |
| | Satisfaction with performance of firm (SPF) | SPF1 | 0.768 | 0.736 | 0.917 | 0.768 | 0.736 | 0.917 |
| | | SPF2 | 0.901 | | | 0.901 | | |
| | | SPF3 | 0.916 | | | 0.917 | | |
| | | SPF4 | 0.838 | | | 0.838 | | |
| Context | Social cultural (SOC) | SOC1 | 0.520 | 0.509 | 0.858 | 0.519 | 0.509 | 0.858 |
| | | SOC2 | 0.687 | | | 0.687 | | |
| | | SOC3 | 0.855 | | | 0.855 | | |
| | | SOC4 | 0.855 | | | 0.854 | | |
| | | SOC5 | 0.710 | | | 0.710 | | |
| | | SOC6 | 0.590 | | | 0.590 | | |
| | Political (POL) | POL1 | 0.846 | 0.730 | 0.915 | 0.846 | 0.730 | 0.915 |
| | | POL2 | 0.845 | | | 0.845 | | |
| | | POL3 | 0.862 | | | 0.862 | | |
| | | POL4 | 0.864 | | | 0.864 | | |
| | Economic (ECO) | ECO1 | 0.848 | 0.668 | 0.889 | 0.848 | 0.668 | 0.889 |
| | | ECO2 | 0.822 | | | 0.822 | | |
| | | ECO3 | 0.889 | | | 0.889 | | |
| | | ECO4 | 0.697 | | | 0.697 | | |

*acronyms for the related constructs in column 2.

The measurement model was inspected for discriminant validity of the Fornell-and-Larcker test as presented in Table 4.5. On the diagonal, the squared AVE of each construct as presented. For each pair of constructs, the squared AVE of each construct is higher than the correlation between the two constructs. Thus, the measurement model meets the Fornell-and-Larcker criterion for discriminant validity. This presents a justification that the measurement model exhibits sufficient reliability and validity for a further statistical test of hypotheses.

**Table 4.5: Assessment of discriminant validity**

| | AB | ECO | FPF | K | LOC | nAch | POL | RPF | RTP | SOC | SPF | ESE | SK |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **AB** | *0.762* | | | | | | | | | | | | |
| **ECO** | 0.241 | *0.817* | | | | | | | | | | | |
| **FPF** | 0.362 | 0.364 | *0.868* | | | | | | | | | | |
| **K** | 0.708 | 0.157 | 0.348 | *0.826* | | | | | | | | | |
| **LOC** | 0.544 | 0.091 | 0.124 | 0.612 | *0.855* | | | | | | | | |
| **nAch** | 0.391 | 0.146 | 0.324 | 0.484 | 0.500 | *0.833* | | | | | | | |
| **POL** | 0.259 | 0.790 | 0.391 | 0.162 | 0.069 | 0.266 | *0.854* | | | | | | |
| **RPF** | 0.234 | 0.423 | 0.767 | 0.297 | 0.036 | 0.202 | 0.368 | *0.893* | | | | | |
| **RTP** | 0.366 | 0.561 | 0.390 | 0.355 | 0.268 | 0.141 | 0.454 | 0.426 | *0.865* | | | | |
| **SOC** | 0.457 | 0.607 | 0.259 | 0.354 | 0.441 | 0.306 | 0.585 | 0.182 | 0.385 | *0.714* | | | |
| **SPF** | 0.485 | 0.265 | 0.621 | 0.518 | 0.334 | 0.465 | 0.319 | 0.463 | 0.332 | 0.337 | *0.858* | | |
| **ESE** | 0.644 | 0.106 | 0.259 | 0.628 | 0.675 | 0.550 | 0.116 | 0.150 | 0.270 | 0.410 | 0.452 | *0.883* | |
| **SK** | 0.690 | 0.195 | 0.387 | 0.785 | 0.598 | 0.464 | 0.190 | 0.250 | 0.383 | 0.398 | 0.502 | 0.597 | *0.816* |

Note: Squared AVEs on the diagonal in italics, and correlations below the diagonal.

## 4.3 Patterns of enterprise performance among the study respondents

Principal components analysis (PCA) of enterprise performance was conducted in line with the research objectives. The predicted scores of the indicators of enterprise performance (financial performance, relative performance and satisfaction with performance) are presented in Table 4.6. The scores of financial performances of businesses with a low of 2.223 and a high of 11.116 had a mean of 7.765 and a standard deviation of 2.130. Similarly, relative performance scores ranged from 2.227 to 11.137 and had a mean of 7.546 and a standard deviation of 2.234. Also, satisfaction with performance scores ranged from 1.982 to 9.913 and had a mean of 7.387 and a standard deviation of 1.819.

The distribution of the mean of these scores across background variables showed that, entrepreneurs in Cape-town recorded the highest level of mean scores across financial performance (8.27), relative performance (8.35) and satisfaction with performance (8.01), while Johannesburg had the second highest set of mean scores followed by Durban with the lowest mean scores. Gender analysis revealed that females scored higher than males for the mean score of financial performance (7.873 compared with 7.685 for males), while the male entrepreneurs performed better in terms of relative and performance satisfaction. Similarly, South-Africans performed better in the mean score of financial performance (7.796) than non-South-Africans. However, non-indigenes had higher relative and performance satisfaction.

Those with university education performed better across the three indicators of enterprise performance than those with less than university education. Interestingly, those whose parents had never owned a business performed better across the three indicators of enterprise performance compared with those whose parents had owned business(es). However, years of experience gained from parents' businesses appeared to be very important. Those who reported to have gained between six and ten years and more than twenty years' experience from their parents' business(es) had higher rates across the three indicators of enterprise performance. Similarly, those who had garnered more than twenty years of managerial experience reported higher rates across all indicators of enterprise performance compared with their counterparts with fewer years of managerial experience. In other words, experience gained from parents' businesses or previous employment at management level appeared beneficial; the longer the experience, the better for enterprise performance.

Another important highlight is that, respondents who had no families and friends that previously or currently owned a business had higher mean scores in financial (8.100) and relative performances (8.138). However, respondents who had families and friends that ever owned a business reported higher mean scores in performance satisfaction (7.406). In addition, the results generally indicate that those with external business orientation beyond their immediate domains (outside their province and outside of South Africa) had higher mean scores across financial, relative and satisfaction with performance.

**Table 4.6: Principal components analysis of the outcome variables**

| | **Financial Performance** | **Relative performance** | **Satisfaction with performance** |
|---|---|---|---|
| **Mean** | 7.765 | 7.546 | 7.387 |
| **SD** | 2.130 | 2.234 | 1.819 |
| **Min** | 2.223 | 2.227 | 1.982 |
| **Max** | 11.116 | 11.137 | 9.913 |
| | | | |
| | $\bar{x}$ | $\bar{x}$ | $\bar{x}$ |
| **Region** | | | |
| Cape Town | 8.272 | 8.351 | 8.011 |
| Durban | 7.088 | 6.935 | 6.548 |
| Johannesburg | 7.688 | 7.200 | 7.294 |
| **Gender** | | | |
| Male | 7.685 | 7.688 | 7.390 |
| Female | 7.873 | 7.354 | 7.383 |
| **Age of respondents** | | | |
| ≤ 45 | 7.758 | 7.656 | 7.349 |
| 46-60 | 7.604 | 7.098 | 7.394 |
| >60 | 9.521 | 8.814 | 8.391 |
| **Nationality** | | | |
| South-African | 7.796 | 7.435 | 7.370 |
| Non-South African | 7.690 | 7.816 | 7.428 |
| **Education** | | | |
| Less than University education | 7.567 | 7.513 | 7.059 |
| University education or higher | 8.232 | 7.623 | 8.158 |
| **Parent(s) ever owned business(es)** | | | |
| Yes | 7.694 | 7.307 | 7.282 |
| No | 7.855 | 7.848 | 7.518 |
| **Experience from parents' business**[1] | | | |
| At most 5 | 7.316 | 6.579 | 7.127 |
| 6-10 | 8.445 | 8.371 | 7.483 |
| 11-15 | 7.367 | 7.622 | 6.702 |
| 16-20 | 6.792 | 6.585 | 7.463 |
| > 20 | 8.788 | 8.995 | 7.669 |
| **Has friends who own business(es)** | | | |
| Yes | 7.684 | 7.402 | 7.406 |
| No | 8.100 | 8.138 | 7.309 |
| **Managerial experience**[2] | | | |
| At most 5 | 7.841 | 7.805 | 7.518 |

| | | | |
|---|---|---|---|
| 6-10 | 7.319 | 6.948 | 6.993 |
| 11-15 | 7.612 | 6.661 | 6.602 |
| 16-20 | 7.964 | 6.682 | 7.407 |
| > 20 | 9.382 | 9.343 | 9.006 |
| **Number of employees** | | | |
| ≤10 | 7.6717 | 7.5488 | 7.1001 |
| >10 | 8.0713 | 7.5946 | 8.1063 |
| **Scope of business** | | | |
| Within my province | 7.443 | 7.353 | 7.083 |
| National & outside the immediate province | 8.009 | 7.541 | 7.805 |
| Other African countries | 9.310 | 9.414 | 7.981 |
| International | 7.768 | 7.685 | 6.930 |

[1]Calculation based on 55.8% valid responses (n=174) whose parents ever owned a business
[2]Calculation based on 86.5% valid responses (n=270) who reported that they had managerial experiences
Source: Primary data

## 4.4 Assessment of the direct influence of motivation on enterprise performance

**Table 4.7: PLS-SEM results of the influence of motivational factors on enterprise performance**

| Enterprise performance | **Financial Performance** | | **Relative Performance** | | **Satisfaction with Performance** | |
|---|---|---|---|---|---|---|
| Variables | Path coefficient | 95% bias-corrected CI | Path coefficient | 95% bias-corrected CI | Path coefficient | 95% bias-corrected CI |
| Need for achievement | 0.232*** | [0.105 - 0.347] | 0.113 | [-0.026 - 0.203] | 0.323*** | [0.174 - 0.444] |
| Locus of control | -0.034 | [-0.262 - 0.086] | -0.018 | [-0.132 - 0.213] | -0.059 | [-0.218 - 0.088] |
| Risk-taking propensity | 0.386*** | [0.280 - 0.475] | 0.437*** | [0.331 - 0.529] | 0.242*** | [0.131 - 0.337] |
| Entrepreneurial self-efficacy | 0.172** | [0.036 - 0.298] | 0.077 | [-0.139 - 0.112] | 0.254*** | [0.110 - 0.414] |
| **Observations** | 312 | | 312 | | 312 | |
| **$R^2$** | 0.317 | | 0.268 | | 0.341 | |

Source: Primary data *** p<0.01, ** p<0.05

Need for achievement, risk-taking propensity and entrepreneurial self-efficacy significantly influenced financial performance and performance satisfaction respectively. In addition, risk-taking propensity significantly influenced relative performance as the only motivational factor and with the highest path coefficient (0.437). However, locus of control did not influence any of the three performance outcomes. Therefore, the three significant motivational factors that could influence enterprise performance are: need for achievement; risk-taking propensity; and entrepreneurial self-efficacy.

## 4.5 Assessment of the direct influence of cognition on enterprise performance

**Table 4.8: PLS-SEM results of the influence of cognitive factors on enterprise performance**

| Enterprise performance | **Financial Performance** | | **Relative Performance** | | **Satisfaction with Performance** | |
|---|---|---|---|---|---|---|
| Variables | Path coefficient | 95% bias-corrected CI | Path coefficient | 95% bias-corrected CI | Path coefficient | 95% bias-corrected CI |
| Knowledge | 0.061 | [-0.121 - 0.157] | 0.212*** | [0.049 - 0.317] | 0.287*** | [0.120 - 0.414] |
| Skill | 0.339*** | [0.200 - 0.479] | 0.162** | [0.008 - 0.288] | 0.238*** | [0.090 - 0.385] |
| Ability | 0.234*** | [0.067 - 0.336] | 0.226*** | [0.027 - 0.290] | 0.189** | [0.014 - 0.346] |
| **Observations** | 312 | | 312 | | 312 | |
| **$R^2$** | 0.306 | | 0.225 | | 0.414 | |

Source: Primary data *** p<0.01, ** p<0.05

Knowledge, skill and ability significantly influenced both the relative performance and performance satisfaction. However, knowledge did not influence the financial performance, but skill and ability did. The results indicate that all the three measures of cognition influenced enterprise performance.

## 4.6 Assessment of the joint influence of motivation and cognition on enterprise performance

The combined influence of motivational and cognitive factors on financial performance, relative performance and satisfaction with performance of the firm are assessed in the relevant sections below.

### 4.6.1 Joint influence of motivation and cognitive factors on financial performance

The overall results for testing the joint influence of motivational factors of need for achievement, locus of control, risk-taking propensity and entrepreneurial self-efficacy and the cognitive factors of knowledge, skills and ability on financial performance are presented in Table 4.9. The results indicate that the four factors of motivation and the three cognitive factors explained 30.5 per cent of the variance in the financial performance of the enterprise in terms of $R^2$ (Coefficient of determination) as shown in Figure 6.

The motivational factors exerting the strongest influence on financial performance was risk-taking propensity (0.285, p<0.05), followed by need for achievement (0.269, p<0.05) and locus of control (-0.292, p<0.05). Entrepreneurial self-efficacy was found not to be statistically significant (-0.004, p>0.05).

Also, of the three cognitive factors, skills (0.189, p<0.05) and ability (0.160, p<0.05), positively and significantly influenced the financial performance of the firm while knowledge (0.038>0.05) did not.

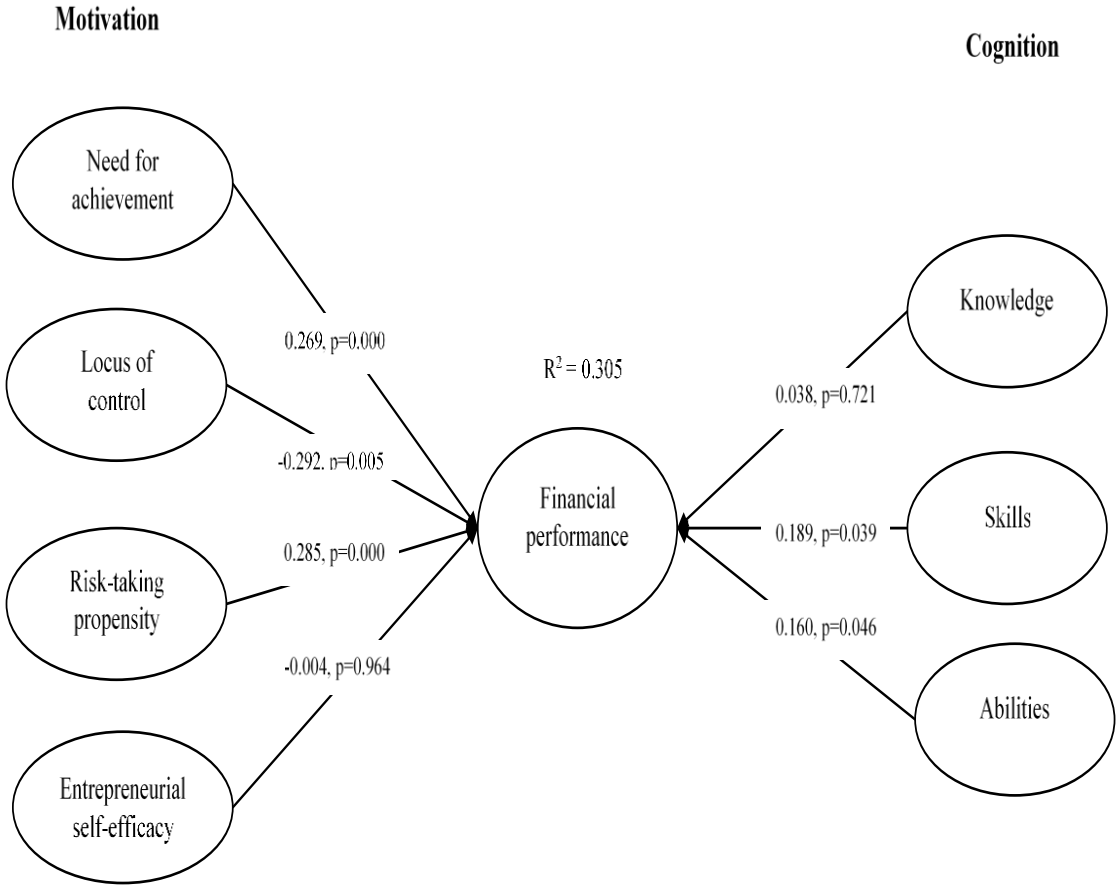



**Figure 6: Results of the joint influence of motivation and cognitive factors on financial performance of the firm**

### 4.6.2 Joint influence of motivation and cognitive factors on relative performance

The joint influence of motivational factors and cognitive factors on the relative performance of the firm are presented. The four motivational factors and three cognitive factors explained 23.6 per cent of the variance in the relative performance of the firm in terms of $R^2$ as illustrated in Figure 7.

Across the four factors of motivation, risk-taking propensity (0.379, $p<0.05$) exerted the strongest statistically significant influence on the relative performance of the firm and therefore supported. Locus of control (-0.132, $p>0.05$) and entrepreneurial self-efficacy (-0.094, $p>0.05$) were not statistically significant in their influence on the relative performance of the firm. In addition, need for achievement (0.158, $p<0.05$) was not supported despite statistically significant p-value, due to the negative value of the confidence interval (LLCI= -0.027, see Table 4.9). Knowledge (0.236, $p<0.05$) as a cognitive factor had the strongest influence on the relative performance while skills (-0.053, $p>0.05$) and ability (0.038, $p>0.05$) were not statistically significant.

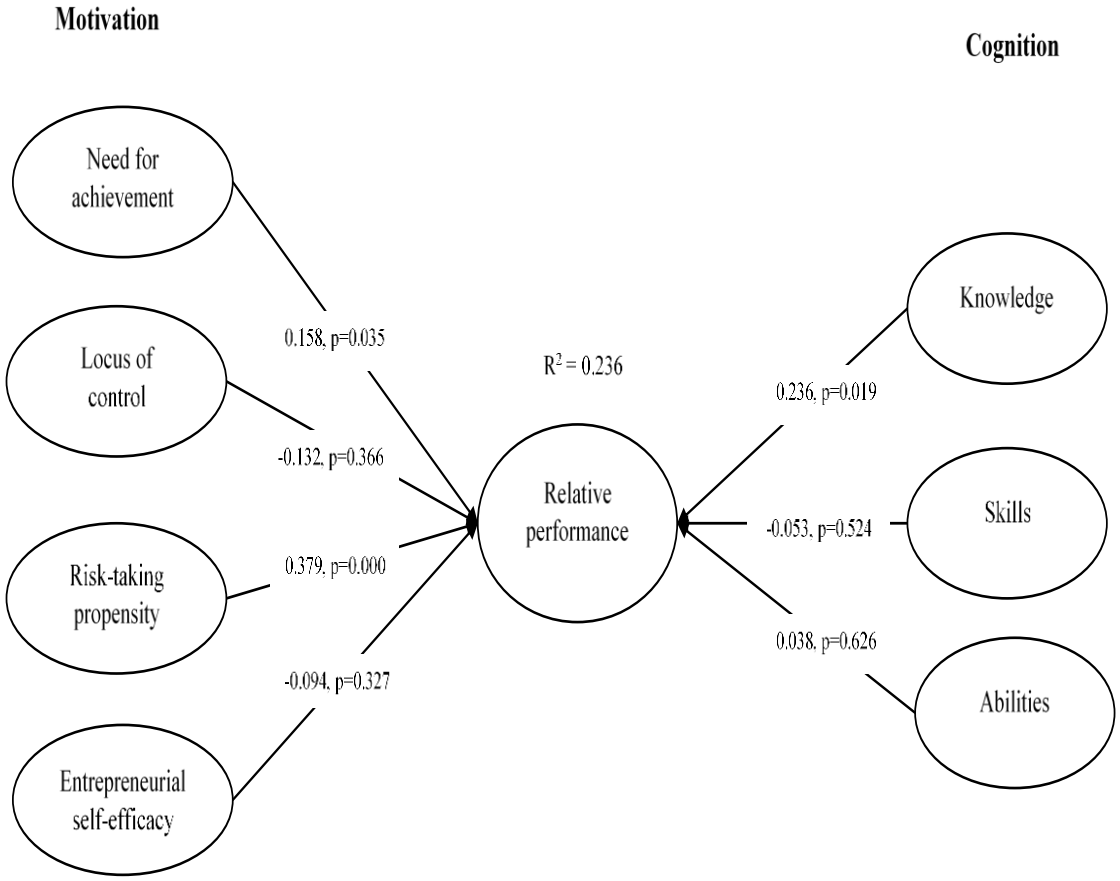



**Figure 7: Results of the joint influence of motivation and cognitive factors on the relative performance of the firm**

### 4.6.3 Assessment of the joint influence of motivation and cognitive factors on satisfaction with performance

The joint influence of motivational and cognitive factors on satisfaction with the performance of the firm are presented in Table 4.9. The four factors measuring motivation and the three factors measuring cognition explained 33.9 per cent of the variance in the satisfaction with performance factors in terms of $R^2$ as shown in Figure 8.

The study found statistically significant support for the influence of need for achievement (0.261, $p<0.05$), locus of control (-0.182, $p<0.05$), and risk-taking propensity (0.154, $p<0.05$) as motivational factors influencing satisfaction with performance, but no support for entrepreneurial self-efficacy (0.090, $p>0.05$). Therefore, the need for achievement exerted the strongest influence on the satisfaction with performance, followed by risk-taking propensity.

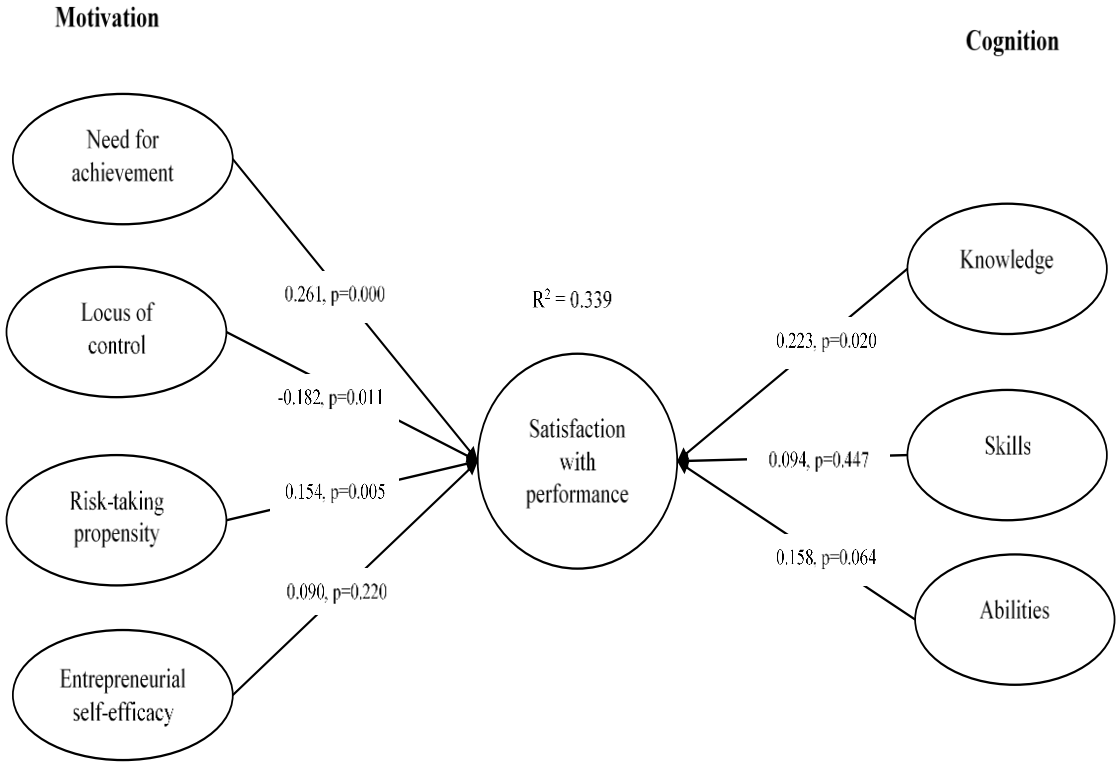



**Figure 8: Results of the joint influence of motivation and cognitive factors on satisfaction with performance**

Similarly, the significant influence of knowledge (0.223, $p<0.05$) on satisfaction with performance as a cognitive factor was confirmed statistically. However, skills (0.094, $p>0.05$) and ability (0.158, $p>0.05$) were not confirmed to have any statistically significant influence on satisfaction with performance. Therefore, knowledge exerted the strongest and statistically significant influence on satisfaction with performance as a cognitive factor.

**Table 4.9: Results of the Joint influence of motivational and cognitive factors on enterprise performance (Structural Model)**

| | **Financial Performance** | | **Relative Performance** | | **Satisfaction with Performance** | |
|---|---|---|---|---|---|---|
| | Path coefficient | **95% bias-corrected CI** | Path coefficient | **95% bias-corrected CI** | Path coefficient | **95% bias-corrected CI** |
| **Motivation** | | | | | | |
| Need for achievement | **0.269*** ** | 0.124 - 0.388 | **0.158** ** | -0.027 - 0.272 | **0.261*** ** | 0.098 - 0.371 |
| Locus of control | **-0.292*** ** | -0.501 - -0.145 | -0.132 | -0.375 - 0.166 | **-0.182** ** | -0.318 - -0.045 |
| Risk-taking propensity | **0.285*** ** | 0.164 - 0.37 | **0.379*** ** | 0.274 - 0.486 | **0.154*** ** | 0.049 - 0.256 |
| Entrepreneurial self-efficacy | -0.004 | -0.152 - 0.166 | -0.094 | -0.34 - 0.052 | 0.090 | -0.044 - 0.227 |
| **Cognition** | | | | | | |
| Knowledge | 0.038 | -0.172 - 0.256 | **0.236** ** | 0.033 - 0.403 | **0.223** ** | 0.052 - 0.392 |
| Skills | **0.189** ** | 0.027 - 0.37 | -0.053 | -0.237 - 0.086 | 0.094 | -0.138 - 0.352 |
| Abilities | **0.160** ** | 0.012 - 0.327 | 0.038 | -0.118 - 0.196 | 0.159* | 0.006 - 0.351 |
| | | | | | | |
| **Observations** | 312 | | 312 | | 312 | |
| **$R^2$** | 0.305 | | 0.236 | | 0.339 | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

Source: Primary data

## 4.7 Assessment of the moderation effect of Context on Enterprise Performance

Effects of statistically significant moderators (the three contextual factors) on the influence of motivational and cognitive factors on the three measures of enterprise performance were assessed and presented in the following sections.

### 4.7.1 Social-cultural context as a moderator of the motivation- cognition- enterprise performance relationship.

Results of the regression model for social-cultural context as a moderator are shown in Table 4.10.

Considering financial performance as an outcome variable, the results indicate three significant interaction terms. Social-cultural context significantly moderated the effects of

need for achievement (0.339, $p<0.05$), risk-taking propensity (-0.278, $p<0.05$) and skills (0.483, $p<0.05$) on financial performance. The coefficient of determination ($R^2$) of the regression model 1 (in relation to the financial performance of firm) was 0.331 ($F_{(15, 296)}=9.744$, $p<0.001$).

Also, results of the regression model for assessing moderation hypotheses with relative performance indicate that only one significant interacting term emerged from the estimation of the regression model. The interaction of social-cultural context and risk-taking propensity in relation to relative performance generated the interaction term (-0.268, $p<0.05$). The $R^2$ of the regression model was 0.296. Additionally, the F-ratio was significant ($F_{(15, 296)=}9.744$, $p<.001$).

Moreover, results of the regression model for the social-cultural context as moderator in relation to satisfaction with performance indicate the emergence of two significant interaction terms. Both the social cultural and risk-taking propensity interaction term (-0.499, $p<0.05$) and the social cultural and skills interaction term (0.581, $p<0.05$) were significant. The $R^2$ of the regression model was 0.463, with significant F-ratio ($F_{(15, 296)}=17.003$, $p<.001$). (see Figures 9-14)

**Table 4.10: Regression results for the moderating influence of social-cultural context**

| | Financial Performance | | Relative performance | | Satisfaction with Performance | |
|---|---|---|---|---|---|---|
| **Model** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** |
| **constant** | 1.832 | [-0.968 - 4.632] | -1.783 | [-4.797 - 1.232] | 1.084 | [-1.304 - 3.472] |
| **nAch** | -0.952 | [-2.264 - 0.361] | 0.511 | [-0.903 - 1.924] | 0.424 | [-0.696 - 1.544] |
| **LOC** | 0.288 | [-1.192 - 1.768] | 0.494 | [-1.099 - 2.088] | -0.188 | [-1.45 - 1.074] |
| **RTP** | 1.370*** | [0.636 - 2.104] | 1.525*** | [0.735 - 2.315] | 2.142*** | [1.516 - 2.768] |
| **ESE** | 0.768 | [-0.538 - 2.073] | 0.470 | [-0.936 - 1.876] | -1.067* | [-2.181 - 0.047] |
| **K** | 0.620 | [-0.774 - 2.014] | -0.502 | [-2.003 - 0.999] | 1.115* | [-0.074 - 2.304] |
| **SK** | -1.641** | [-3.279 - -0.003] | -1.458 | [-3.221 - 0.306] | -2.215*** | [-3.611 - -0.818] |
| **AB** | 0.120 | [-0.649 - 0.889] | 0.550 | [-0.278 - 1.378] | 0.792** | [0.136 - 1.448] |
| **SOC** | -0.265 | [-1.004 - 0.475] | 0.821** | [0.025 - 1.617] | -0.340 | [-0.97 - 0.291] |
| **SOC*nAch** | **0.339**** | [0.002 - 0.677] | -0.047 | [-0.41 - 0.317] | -0.030 | [-0.318 - 0.258] |
| **SOC*LOC** | -0.196 | [-0.574 - 0.182] | -0.251 | [-0.658 - 0.156] | 0.006 | [-0.316 - 0.329] |
| **SOC*RTP** | **-0.278***** | **[-0.454 - -0.102]** | **-0.268***** | **[-0.457 - -0.079]** | **-0.499***** | **[-0.649 - -0.35]** |
| **SOC*ESE** | -0.226 | [-0.553 - 0.101] | -0.139 | [-0.491 - 0.212] | 0.271* | [-0.007 - 0.55] |
| **SOC*K** | -0.151 | [-0.497 - 0.194] | 0.206 | [-0.166 - 0.578] | -0.224 | [-0.519 - 0.071] |
| **SOC*SK** | **0.483**** | [0.076 - 0.890] | 0.351 | [-0.087 - 0.79] | **0.581***** | [0.234 - 0.928] |
| **SOC*AB** | 0.068 | [-0.129 - 0.265] | -0.107 | [-0.32 - 0.105] | -0.100 | [-0.268 - 0.068] |
| | | | | | | |
| **$R^2$** | 0.331 | | 0.296 | | 0.463 | |
| **Observations** | 312 | | 312 | | 312 | |

Source: Primary data *** p<0.01, ** p<0.05, * p<0.1

Note: nAch = need for achievement, LOC = locus of control, RTP = risk-taking propensity, ESE= entrepreneurial self-efficacy, K = Knowledge, SK = skill, AB = ability, SOC = social-cultural context.

All the six significant moderation effects were inspected using simple-slopes analysis and the Johnson-Neyman (J-N) technique for further interpretation in the following sections.

#### 4.7.1.1 Social-cultural context as a moderator of the motivation-cognition-financial performance relationship

*Social-cultural context as a moderator of the influence of need for achievement on financial performance (simple slopes analysis and J-N technique)*

The results of the simple-slopes analysis are visually illustrated in Appendix 3a. When the social-cultural context is low (3.247 or 1 SD below the mean), the influence of the need for achievement on the financial performance is 0.151 which is not statistically significant (p=0.261). When the social-cultural context is medium (3.938 or the mean), the influence of the need for achievement on the financial performance increases to 0.385 and is statistically significant (p=0.000). When the social-cultural context is high, the influence of the need for achievement on financial performance increases further to 0.619 and is statistically significant (p=0.000). Thus, the simple-slopes analysis confirms that as the value of the moderator increases, the positive influence of the need for achievement on the financial performance of the firm also increases.

The J-N technique is used to further interpret the results as illustrated in Figure 9. It shows two regions of significance (see *Appendix 4a*). In the first region, when the perception of the social-cultural context (moderator) equals 3.440 and lower, the influence of the need for achievement on financial performance is negative, then positive, as the moderator increases, but not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0'). In the second region, when the perception of the social-cultural context is higher than 3.440, the influence of the need for achievement on financial performance is positive and statistically significant. For instance, when the moderator is 3.600, the influence of the need for achievement on the financial performance of the firm is 0.270 (p=0.004). The positive influence in this region increases as the moderator increases.

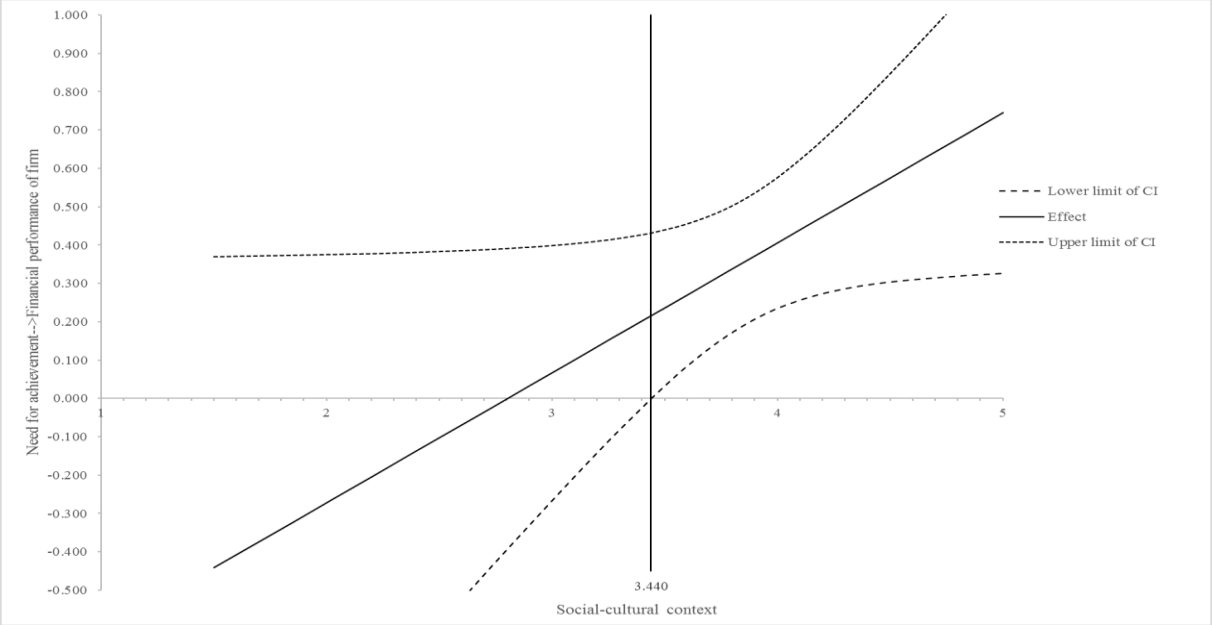



**Figure 9: The conditional effect of need for achievement on the financial performance of the firm at different values of the moderator (social-cultural context)**

In conclusion, the perception of the social-cultural context positively moderates the influence of the need for achievement on the financial performance of the firm. As the moderator increases, the positive influence of the need for achievement on financial performance increases. Therefore, $H_{d1}$ is supported.

*The social-cultural context as a moderator of the influence of the risk-taking propensity on the financial performance (simple slopes analysis and J-N technique)*

The perception of the social-cultural context moderating the influence of the risk-taking propensity on the financial performance of the firm is shown using simple-slopes in Appendix 3b. When the social-cultural context is low (3.247 or SD 1 below the mean), the risk-taking propensity influences the financial performance at the value of 0.467 and is statistically significant (p=0.000). When the social-cultural context is medium (3.938 or the mean), the influence of the risk-taking propensity on financial performance decreases to 0.275 and is statistically significant (p=0.000). When the social-cultural context is high (4.629 or SD 1 above the mean), the influence of the risk-taking propensity on financial performance decreases further to 0.083 and is not statistically significant (p=0.250). Therefore, the simple-slopes analysis indicates that, as the moderator increases, the positive influence of the risk-taking propensity on the financial performance of the firm decreases.

Further analysis of the results of moderation using J-N technique in Figure 10, shows in the first region (*see Appendix 4b*), that the risk-taking propensity positively, and statistically significantly influences the financial performance when the perception of the social-cultural context (moderator) is less than 4.473. For example, when the social-cultural context equals 4.300 the influence is positive and statistically significant (0.174, p=0.003). However, this positive influence decreases as the moderator increases. In the second region, when the moderator equals 4.473 and higher, the influence of the risk-taking propensity on the financial performance decreases (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0').

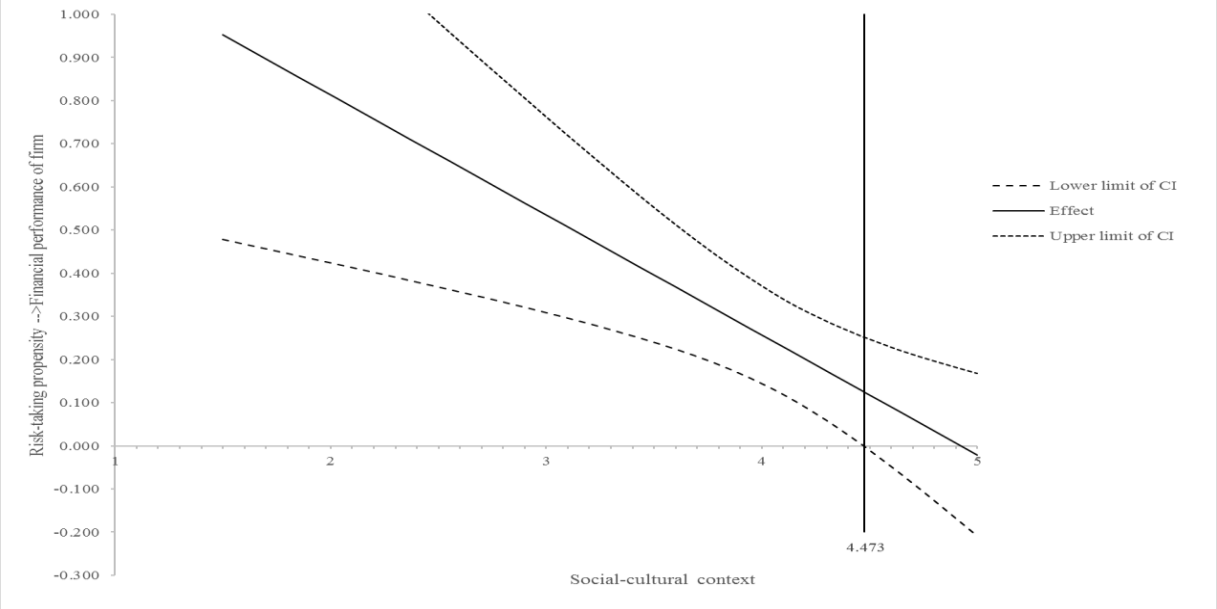



**Figure 10: The conditional effect of risk-taking propensity on the financial performance of the firm at different values of the moderator (social-cultural context)**

In conclusion, the social-cultural context negatively moderates the influence of the risk-taking propensity on financial performance of the firm. Therefore, as the moderator increases, the positive influence of the risk-taking propensity on financial performance decreases. The hypothesis for the interaction term ($H_{d3}$) is supported.

*The social-cultural context as a moderator of the influence of skill on the financial performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis illustrated in Appendix 3c indicates that, when the social-cultural context is low (3.247 or 1 SD below the mean), the influence of skills on the financial performance is -0.071 and is not statistically significant (p=0.722). When the social cultural

context is medium (3.938 or the mean), the influence of skills on financial performance increases to 0.262 (p=0.051). When the social-cultural context is high (4.629 or SD 1 above the mean), the influence of skills on financial performance increases further to a 0.596 and is statistically significant (p=0.002). The simple-slopes analysis therefore confirms that as the value of the social-cultural context increases, the positive influence of skills on financial performance of the firm increases.

Using the J-N technique in Figure 11 for further analysis, the result shows that in the first region (see *Appendix 4c*), when the perception of the social-cultural context (moderator) equals 3.939 and lower, the influence of skills on financial performance of the firm increases (the influence is negative, then positive) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0'). However, in the second region, the influence of skills on the financial performance is positive and statistically significant as the moderator increases above 3.939. For example, when the moderator is 3.950 the influence of skills on financial performance is positive and statistically significant (0.268, p=0.046).

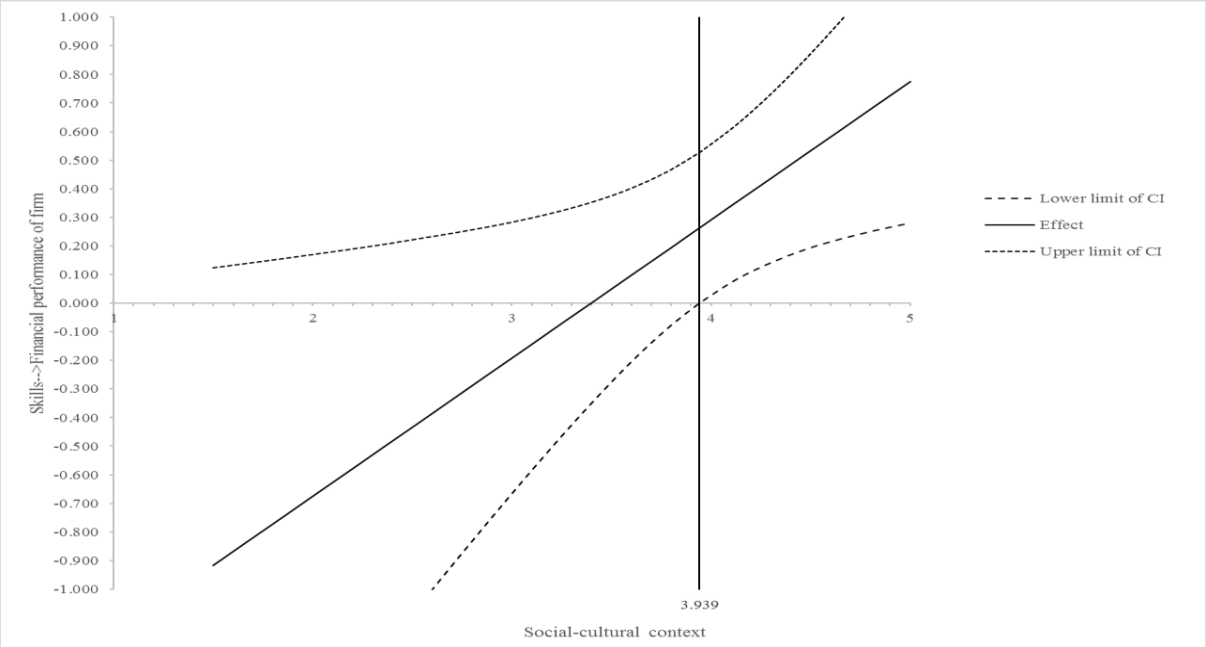



**Figure 11: The conditional effect of skills on the financial performance of the firm at different values of the moderator (social-cultural context)**

Based on the results in Figure 11, it can be concluded that, the social-cultural context positively moderates the influence of skills on financial performance. As the moderator

increases, the positive influence of skills on financial performance increases. Therefore, $H_{d6}$ is supported.

#### 4.7.1.2 Social-cultural context as a moderator of the relationship of motivation, cognition and relative performance

*Social-cultural context as a moderator of the - influence of the risk-taking propensity on relative performance (simple slopes analysis and J-N technique)*

The results of the simple-slopes analysis are visually presented in Appendix 3d. When the social-cultural context is low (3.247 or 1 SD below the mean) the influence of the risk-taking propensity on relative performance is 0.655 and significant (p=0.000). When the social cultural context is medium (3.938 or the mean), the influence of the risk-taking propensity on relative performance decreases to 0.470 and is statistically significant (p=0.000). When the social-cultural context is high (4.629), the influence of the risk-taking propensity on the relative performance of the firm decreases further to 0.285 and is significant (p=0.000). Thus, the simple-slopes analysis indicates that, as the value of the moderator increases, the positive influence of the risk-taking propensity on the relative performance decreases.

The J-N technique is used to further analyse the results in Figure 12. There are two regions of significance (*see Appendix 4d*). In the first region, when the perception of the social-cultural context (moderator) is lower than 4.958, the risk-taking propensity exerts a positive statistically significant influence on the relative performance of the firm that decreases as the moderator increases. However, in the second region, when the moderator equals 4.958 and higher, the positive influence of the risk-taking propensity on the relative performance decreases further and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0').

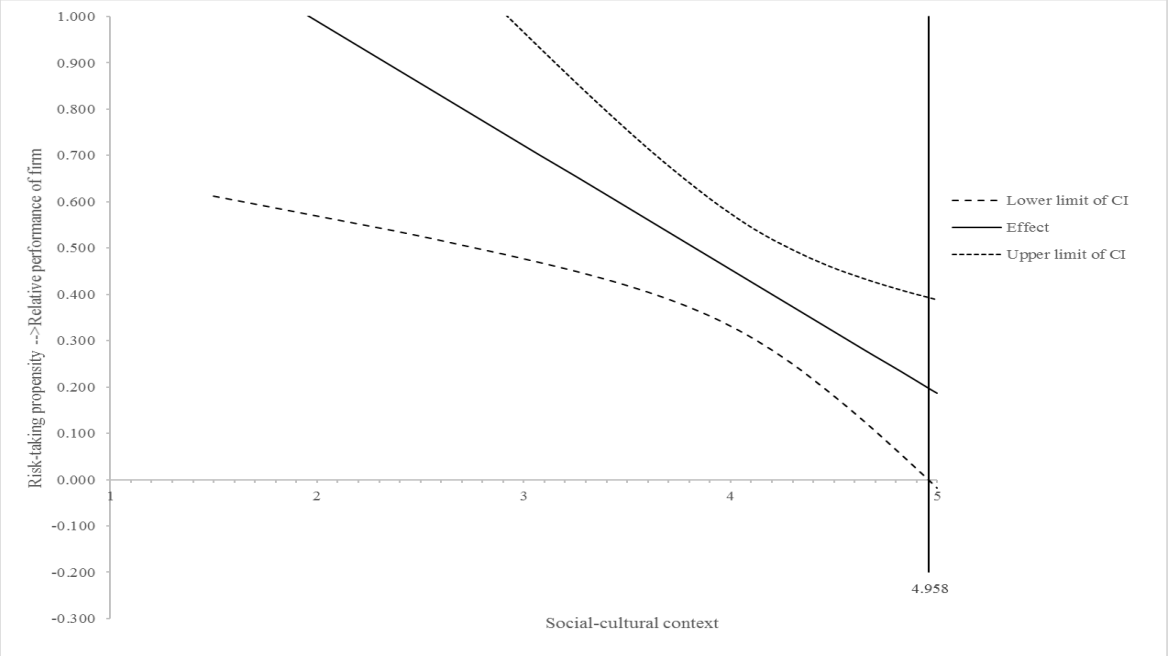



**Figure 12: The conditional effect of the risk-taking propensity on the relative performance of the firm at different values of the moderator (social-cultural context)**

Conclusively, the results from Figure 12 indicate that, the perception of the social-cultural context negatively moderates the influence of the risk-taking propensity on the relative performance, as the moderator increases the positive influence decreases. Therefore**,** $H_{d10}$ is supported.

### 4.7.1.3 The social-cultural context as a moderator of the relationship of motivation, cognition and satisfaction with the performance

*The social-cultural context as a moderator of the influence of risk-taking propensity on satisfaction with the performance (simple slopes analysis and J-N Technique)*

The results of the simple-slopes analysis are visually illustrated in Appendix 3e. When the social-cultural context is low (3.247 or 1 SD below the mean), the influence of the risk-taking propensity on satisfaction with performance of the firm is 0.520 and significant (p=0.000). When the social cultural context is medium (3.938 or the mean), the influence of risk-taking propensity on the satisfaction with performance decreases to 0.175 and is statistically significant (p=0.001). When the social-cultural context is high (4.629), the influence of the risk-taking propensity on the satisfaction with performance decreases further to -0.170 and is statistically significant (p=0.006). Thus, the simple-slopes analysis indicates that as the value of the moderator increases, the positive influence of the risk-taking propensity on satisfaction with the performance of the firm decreases.

The result of the conditional effect based on the J-N technique is illustrated in Figure 13. It shows three regions of significance (see *Appendix 4e*). In the first region, when the value of the perception of the social-cultural context (moderator) is lower than 4.100, the influence of the risk-taking propensity on the satisfaction with the performance is positive and statistically significant, and this influence decreases as the value of the moderator increases. In the second region, when the moderator is 4.100 to 4.510, the influence of the risk-taking propensity on satisfaction with the performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects for this range of the moderator includes '0'). Lastly, in the third region, when the perception of the social-cultural context is higher than 4.510 the influence of the risk-taking propensity on satisfaction with performance is negative and statistically significant, and this negative influence increases as the moderator increases.

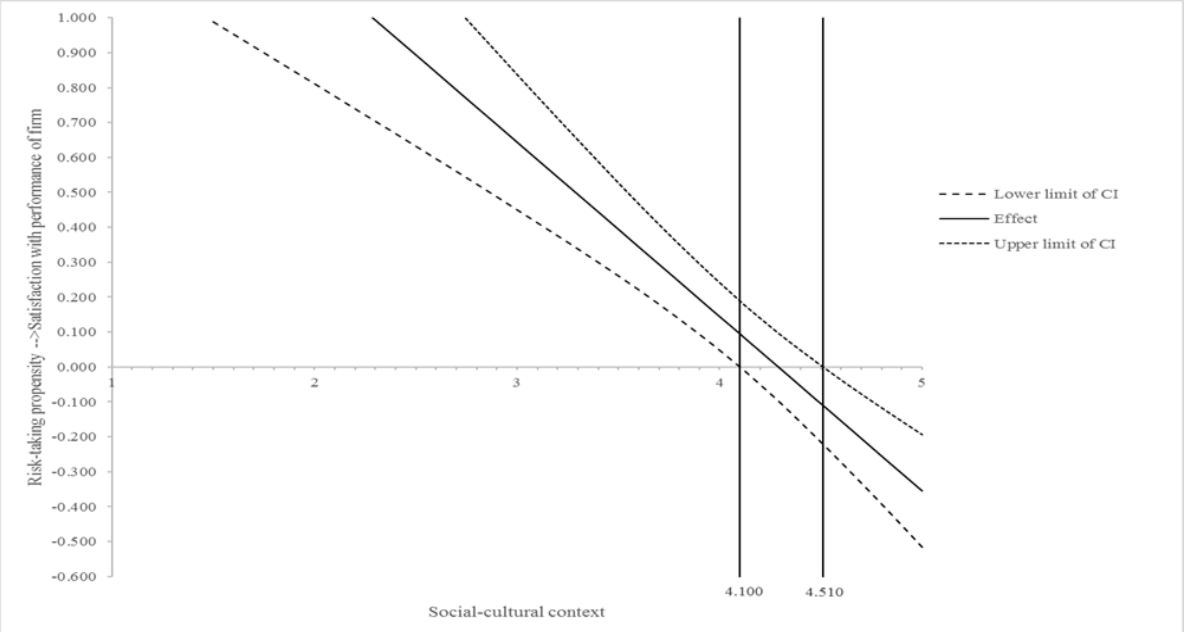



**Figure 13: The conditional effect of risk-taking propensity on the satisfaction with performance of the firm at different values of the moderator (social-cultural context)**

In conclusion, the results from Figure 13 show that, the perception of the social-cultural context negatively moderates the influence of the risk-taking propensity on satisfaction with performance. As the moderator increases, the positive influence decreases and at higher values of the moderator the negative influence increases further. Therefore**,** $H_{d17}$ is supported.

*The social-cultural context as a moderator of the influence of skill on the satisfaction with the performance (simple slopes analysis and J-N Technique)*

The results of the simple-slopes analysis are visually presented in Appendix 3f. When the social-cultural context is low (3.247 or 1 SD below the mean), the influence of the skills on the satisfaction with the performance of the firm is -0.327(p=0.057). When the social-cultural context is medium (3.938 or the mean), the influence of skills on satisfaction with the performance of the firm increases to 0.074 (p=0.515). When the social-cultural context is high (4.629 or 1 SD above the mean), the influence of the moderator on the relationship of skills on satisfaction with the performance of the firm increases further to 0.285 and significant (p=0.004). Thus, the simple-slopes analysis indicates that, as the value of the moderator increases, the positive influence of skills on satisfaction with the performance increases (at social-cultural high).

The J-N technique is used to further interpret the results in Figure 14. The results indicate three regions of significance and two J-N precise points (*see Appendix 4f*). In the first region, when the perception of the social-cultural context (moderator) is less than 3.218 the influence is negative and statistically significant. This negative influence decreases as the moderator increases. For instance, when the moderator is 1.500, the influence is -1.343 and statistically significant (p=0.003) but decreases to -0.427 when the moderator increases to 3.075 and statistically significant (p=0.029). In the second region, when the moderator is 3.218 to 4.224 the influence of skills on satisfaction with the performance increases further (the influence is negative, then positive) and is not statistically significant (the bias-corrected confidence interval for the estimated effects for this range of the moderator includes '0'). In the third region, when the value of the moderator is higher than 4.224 the influence is positive and statistically significant. For example, when the moderator equals 4.300 the influence is 0.285 and statistically significant (p=0.027). Further, when the moderator is 5.000, the influence is 0.691 and statistically significant (p=0.001).

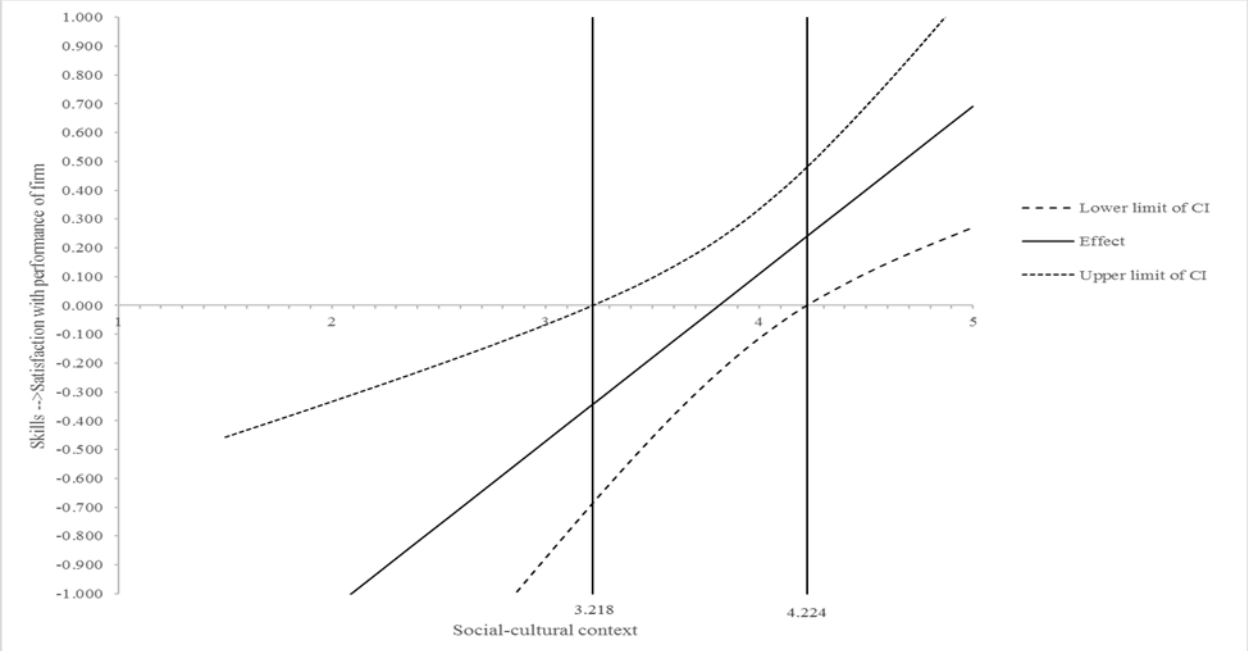



**Figure 14: The conditional effect of skills on the satisfaction with performance of the firm at different values of the moderator (social-cultural context)**

In conclusion, the results from Figure 14 show that, the moderator positively moderates the influence of skills on satisfaction with the performance of the firm. As the perception of the social-cultural context increases, the negative influence of skills on satisfaction with the performance decreases, and at higher values of the moderator the influence is positive and increases. Therefore, $H_{d20}$ is supported.

### 4.7.2 Political context as a moderator of the - relationship of motivation, cognition and enterprise performance

The results in Table 4.11 indicate the regression model for political context as a moderator to test the related moderation hypotheses.

For the financial performance as an outcome variable, the only significant interaction term is 'political context' and 'knowledge' (-0.334, $p<0.05$). The $R^2$ of the regression model was 0.331, with a significant F-ratio ($F_{(15, 296)}=9.764$, $p<.001$).

Also, the results regarding the relative performance show three significant interaction terms such as 'political context' and 'need for achievement' (-0.149, $p<0.05$), 'political context' and 'risk-taking propensity' (-0.286, $p<0.05$), and 'political context' and 'skills' (0.374,

$p<0.05$). The $R^2$ of the regression model was 0.358, with a significant F-ratio ($F_{(15,\ 296)} =11.015$, $p<.001$).

Lastly, for satisfaction with performance, the results show two significant interaction terms such as 'political context' and 'locus of control' (0.454, $p<0.05$), and 'political context' and 'risk-taking propensity' (-0.119, $p<0.05$). The $R^2$ of the regression model was 0.460, with a significant F-ratio ($F_{(15, 296)}=16.780$, $p<.001$).

All the six significant moderation hypotheses were investigated further using simple-slopes analysis and the J-N technique to interpret (see Figures 15-20).

**Table 4.11: Regression results for the moderating influence of political context**

| ` | Financial Performance | | Relative performance | | Satisfaction with Performance | |
|---|---|---|---|---|---|---|
| **Model** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** |
| **constant** | 2.803** | [0.42 - 5.187] | 0.89 | [-1.56 - 3.341] | 3.299*** | [1.259 - 5.339] |
| **nAch** | 0.322 | [-0.129 - 0.774] | 0.633*** | [0.169 - 1.098] | 0.073 | [-0.313 - 0.46] |
| **LOC** | -0.802* | [-1.693 - 0.088] | -0.305 | [-1.221 - 0.61] | -1.755*** | [-2.518 - -0.993] |
| **RTP** | 0.39* | [-0.065 - 0.844] | 1.246*** | [0.779 - 1.714] | 0.389** | [0.000 - 0.779] |
| **ESE** | -0.259 | [-1.324 - 0.805] | -0.563 | [-1.658 - 0.532] | 0.461 | [-0.45 - 1.373] |
| **K** | 1.474** | [0.334 - 2.613] | 1.086* | [-0.086 - 2.258] | 0.649 | [-0.327 - 1.624] |
| **SK** | -1.08 | [-2.528 - 0.368] | -1.525** | [-3.014 - -0.036] | 0.239 | [-1.000 - 1.478] |
| **AB** | 0.052 | [-0.593 - 0.697] | 0.173* | [-0.491 - 0.836] | 0.038 | [-0.514 - 0.59] |
| **POL** | -0.384 | [-1.005 - 0.237] | 0.26 | [-0.378 - 0.899] | -0.747*** | [-1.279 - -0.216] |
| **POL*nAch** | -0.051 | [-0.18 - 0.078] | **-0.149**** | **[-0.281 - -0.017]** | -0.032 | [-0.142 - 0.078] |
| **POL*LOC** | 0.109 | [-0.125 - 0.342] | -0.008 | [-0.248 - 0.232] | **0.454***** | [0.254 - 0.653] |
| **POL*RTP** | -0.078 | [-0.205 - 0.049] | **-0.286***** | **[-0.417 - -0.155]** | **-0.119**** | **[-0.227 - -0.01]** |
| **POL*ESE** | 0.101 | [-0.182 - 0.384] | 0.18 | [-0.111 - 0.472] | -0.056 | [-0.298 - 0.187] |
| **POL*K** | **-0.334**** | **[-0.626 - -0.042]** | -0.19 | [-0.49 - 0.11] | -0.054 | [-0.303 - 0.196] |
| **POL*SK** | 0.338* | [-0.024 - 0.701] | **0.374**** | [0.002 - 0.747] | -0.033 | [-0.344 - 0.277] |
| **POL*AB** | 0.04 | [-0.137 - 0.218] | 0 | [-0.183 - 0.182] | 0.029 | [-0.122 - 0.181] |
| | | | | | | |
| **$R^2$** | 0.331 | | 0.358 | | 0.46 | |
| **Observations** | 312 | | 312 | | 312 | |

Source: Primary data *** p<0.01, ** p<0.05, * p<0.1

#### 4.7.2.1 Political context as a moderator of the - relationship of motivation, cognition and financial performance

*Political context as a moderator of the influence of knowledge on financial performance (simple slopes analysis and J-N technique)*

The results of simple-slopes in Appendix 3g indicate that when the perception of political context is low (2.438 or SD 1 below the mean), knowledge influences financial performance of the firm at the value of 0.659 and a significant (p=0.006). When the political context is medium (3.484 or the mean), the influence of knowledge on financial performance of the firm decreases to 0.309 and is statistically significant (p=0.021). When the political context is high (4.530 or SD 1 above the mean), the influence decreases further to -0.041 and is not significant (p= 0.803). Therefore, the simple-slopes analysis indicates that as the value of the moderator (political context) increases, the positive influence of knowledge on financial performance decreases.

The J-N technique is used to further interpret the results of the moderator-effect in Figure 15. There are two regions of significance (see Appendix 4*g*). The result shows in the first region that, when the perception of political context (moderator) is lower than 3.667, the influence of knowledge on financial performance is positive and statistically significant. This positive influence decreases as the moderator increases. However, in the second region, when the moderator is equal to 3.667 and higher, the influence of knowledge on financial performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0').

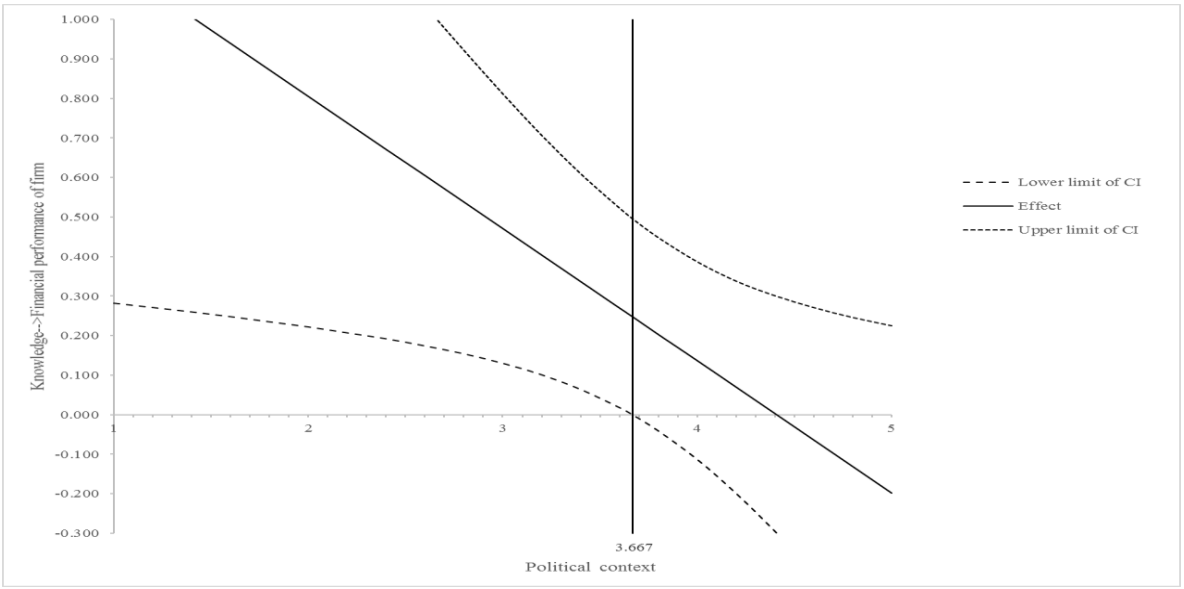



**Figure 15: The conditional effect of knowledge on the financial performance of the firm at different values of the moderator (political context)**

Based on the results in Figure 15, it can be concluded that, the perception of political context negatively moderates the influence of knowledge on financial performance, as the value of the moderator increases, the positive influence of knowledge on financial performance decreases. Therefore, $H_{e5}$ is supported.

### 4.7.2.2 Political context as a moderator of the - relationship of motivation, cognition and relative performance

*Political context as a moderator of the - influence of the need for achievement on relative performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis is visually illustrated in Appendix 3h. When the political context is low (2.438 or 1 SD below the mean), the influence of the need for achievement on relative performance is 0.270 and is statistically significant (p=0.015). However, when the political context is medium (3.484 or the mean), the influence of the need for achievement on relative performance decreases to 0.114 and is not statistically significant (p=0.251). When the perception of political context is high (4.530), the influence of the need for achievement on relative performance decreases further to -0.042 and is not statistically significant (p=0.752). Therefore, the simple-slopes analysis confirms that as the value of the moderator increases, the positive influence of the need for achievement on relative performance decreases.

The J-N technique is used to further interpret the moderator-effect in Figure 16. There are two regions of significance (see *Appendix 4h*). The results show that in the first region, when

the perception of political context (moderator) is lower than 2.945, the need for achievement exerts a decreasing and statistically significant positive influence on relative performance of the firm. In the second region, when the perception of political context equals 2.945 and higher, the influence of the need for achievement on relative performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0').

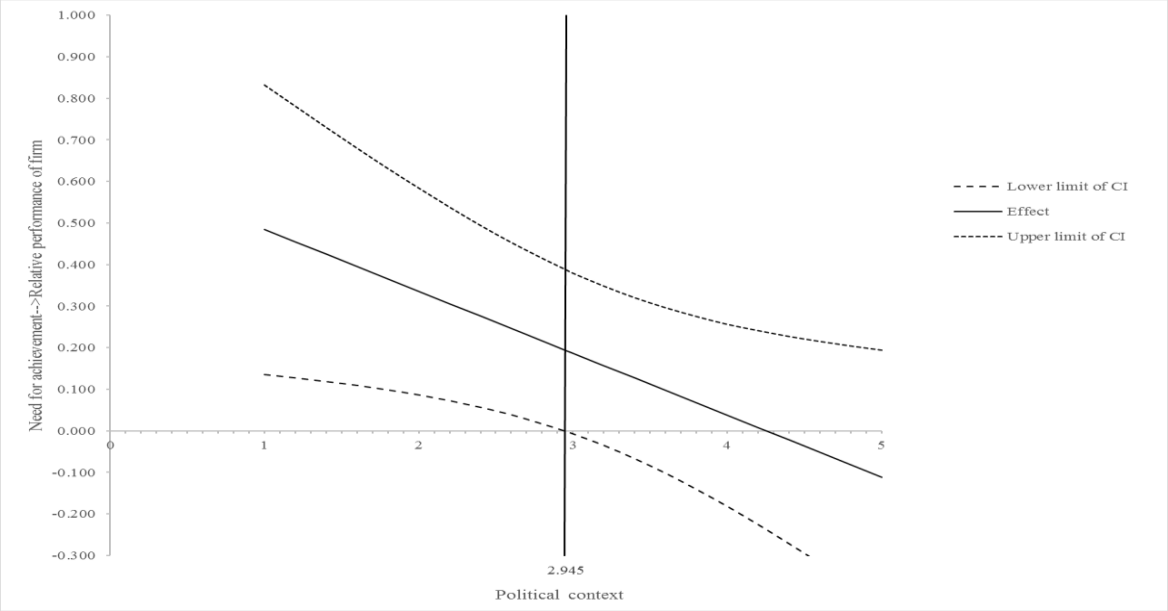



**Figure 16: The conditional effect of the need for achievement on the relative performance of the firm at different values of the moderator (political context)**

Conclusively, the results from Figure 16 indicate that, the perception of political context negatively moderates the influence of the need for achievement on relative performance. As the moderator increases the positive influence decreases. Therefore, $He_8$ is supported.

*Political context as a moderator of the - influence of risk-taking propensity on relative performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis is visually illustrated in Appendix 3i. When the perception of political context is low (2.438 or 1 SD below the mean), the influence of the risk-taking propensity on relative performance of the firm is 0.549 and is statistically significant (p=0.000). However, when the political context is medium (3.484 or the mean), the influence of the risk-taking propensity on relative performance decreases to 0.250 and is statistically

significant (p=0.000). When the political context is high (4.530), the influence of the risk-taking propensity on relative performance decreases further to -0.050 and is not statistically significant (p=0.615). Therefore, the simple-slopes analysis confirms that as the value of the moderator increases, the positive influence of the risk-taking propensity on the relative performance of the firm decreases.

The J-N technique is used to further interpret the results in Figure 17. There are two regions of significance (see *Appendix 4i*). In the first region where the perception of the political context (moderator) is less than 3.862, the influence of the risk-taking propensity on relative performance is positive and statistically significant. This positive influence decreases as the moderator increases. In the second region where the perception of political context equals 3.862 and higher, the influence of the risk-taking propensity on relative performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0').

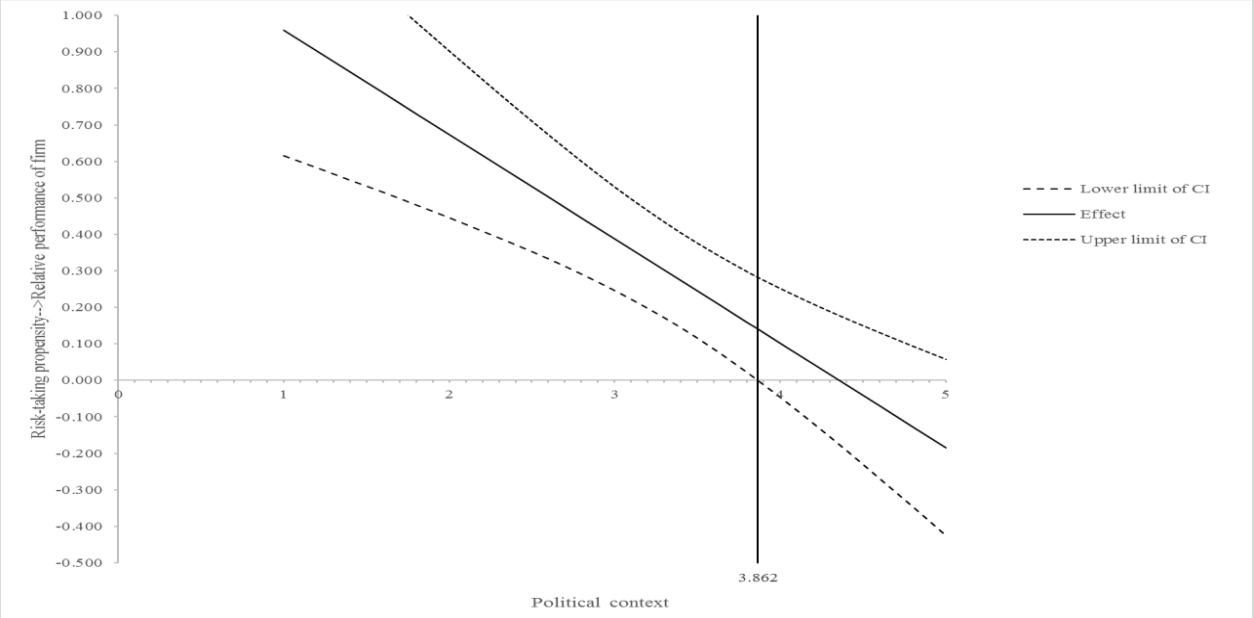



**Figure 17: The conditional effect of risk-taking propensity on the relative performance of the firm at different values of the moderator (political context)**

In conclusion, the results from Figure 17 indicate that, the perception of political context negatively moderates the influence of the risk-taking propensity on relative performance, such that as the moderator increases, the positive influence decreases. The hypothesis $H_{e10}$ is therefore supported.

*Political context as a moderator of the - influence of skill on relative performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis is visually illustrated in Appendix 3j. When the perception of political context is low (2.438 or 1 SD below the mean), the influence of skills on relative performance is -0.612 and is not statistically significant (p=0.052). However, when the perception of political context is medium (3.484 or the mean), the negative influence of skills on relative performance decreases to -0.220 and is not statistically significant (p=0.174). Furthermore, when the perception of political context is high (4.530 or 1 SD above the mean), the influence of skills on relative performance increases further to 0.171 and is not statistically significant (p=0.341). Therefore, the simple-slopes analysis confirms that as the value of the moderator increases, the negative influence of skills on relative performance decreases.

The J-N technique is used to further interpret the results in Figure 18. There are two regions of significance (see *Appendix 4j*). In the first region, when the perception of the political context (moderator) is lower than 2.273, the influence of skills on relative performance is negative and statistically significant. This negative influence decreases as the moderator increases. In the second region, when the perception of political context is equal to 2.273 and higher, the influence of skills on relative performance decreases further (the influence is negative, then positive) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0').

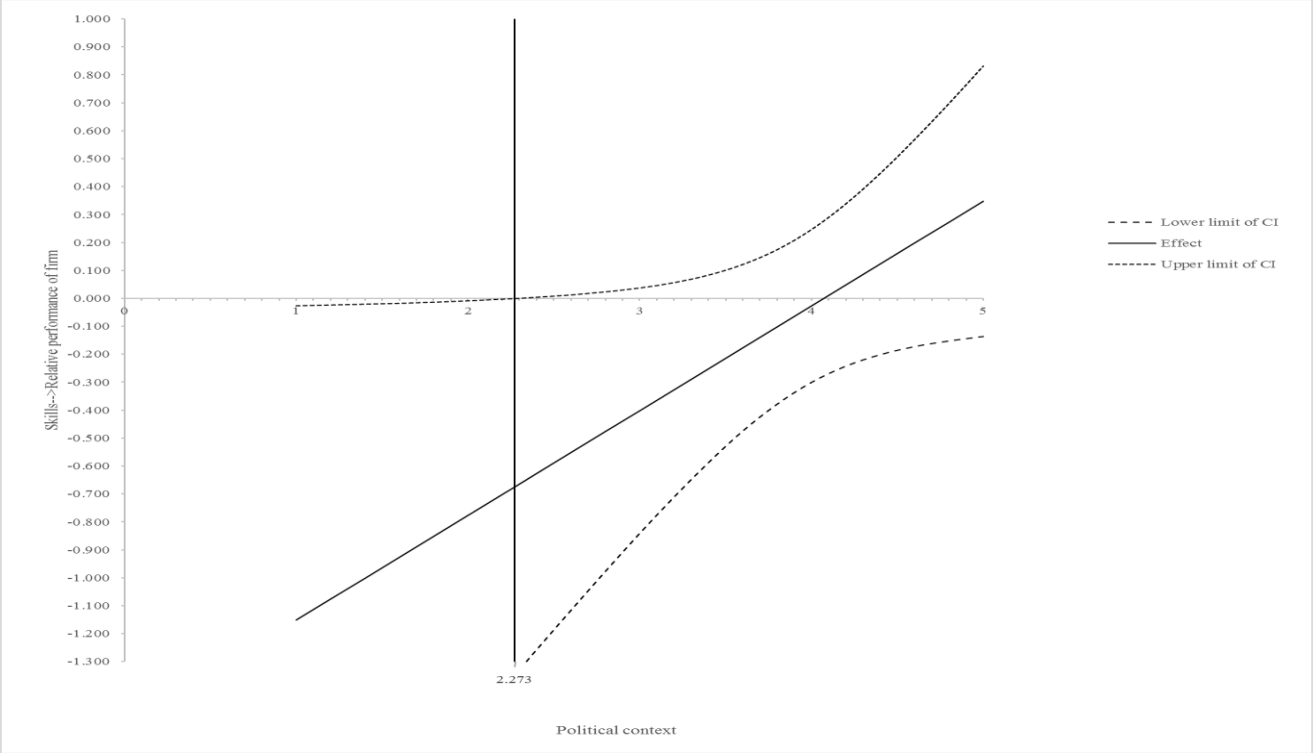



**Figure 18: The conditional effect of skills on the relative performance of the firm at different values of the moderator (political context)**

Conclusively, the results from Figure 18 indicate that, perception of political context positively moderates the influence of skills on relative performance. As the moderator (political context) increases, the negative influence of the skills on relative performance decreases and is not statistically significant. Therefore, the moderation hypothesis, $H_{e13}$ is supported.

### 4.7.2.3 Political context as a moderator of the - relationship of motivation, cognition and satisfaction with performance

*Political context as a moderator of the - influence of the locus of control on satisfaction with performance (simple slopes analysis and J-N technique)*

The results of the simple-slopes analysis are visually presented in Appendix 3k. When the political context is low (2.438 or 1 SD below the mean), the influence of the locus of control on satisfaction with performance of the firm is -0.650 and is statistically significant (p=0.000). When the political context is medium (3.484 or the mean), the influence of the locus of control on the satisfaction with performance is -0.175 and is not statistically significant (p=0.078). When the perception of political context is high (4.530), the influence of the locus of control on satisfaction with performance increases to 0.299 and is statistically significant

(p=0.021). Therefore, the negative influence of the locus of control on satisfaction with performance decreases as the perception of political context increases and the influence is positive when the moderator is high.

The J-N technique is used to further interpret the results in Figure 19. There are three regions of significance (*see Appendix 4k*). In the first region, when the perception of the political context (moderator) is lower than 3.435, the influence of the locus of control on satisfaction with performance is negative and statistically significant. This negative influence decreases as the moderator increases. In the second region, when the moderator is 3.435 to 4.393, the influence of the locus of control on satisfaction with performance of the firm increases (the influence is negative, then positive) and is not statistically significant (the bias-corrected confidence interval for the estimated effects for this range of the moderator includes '0'). In the third region, when the perception of the political environment is higher than 4.393 the influence of locus of control on the satisfaction with the performance of the firm is positive and statistically significant, and the positive influence increases as the moderator increases.

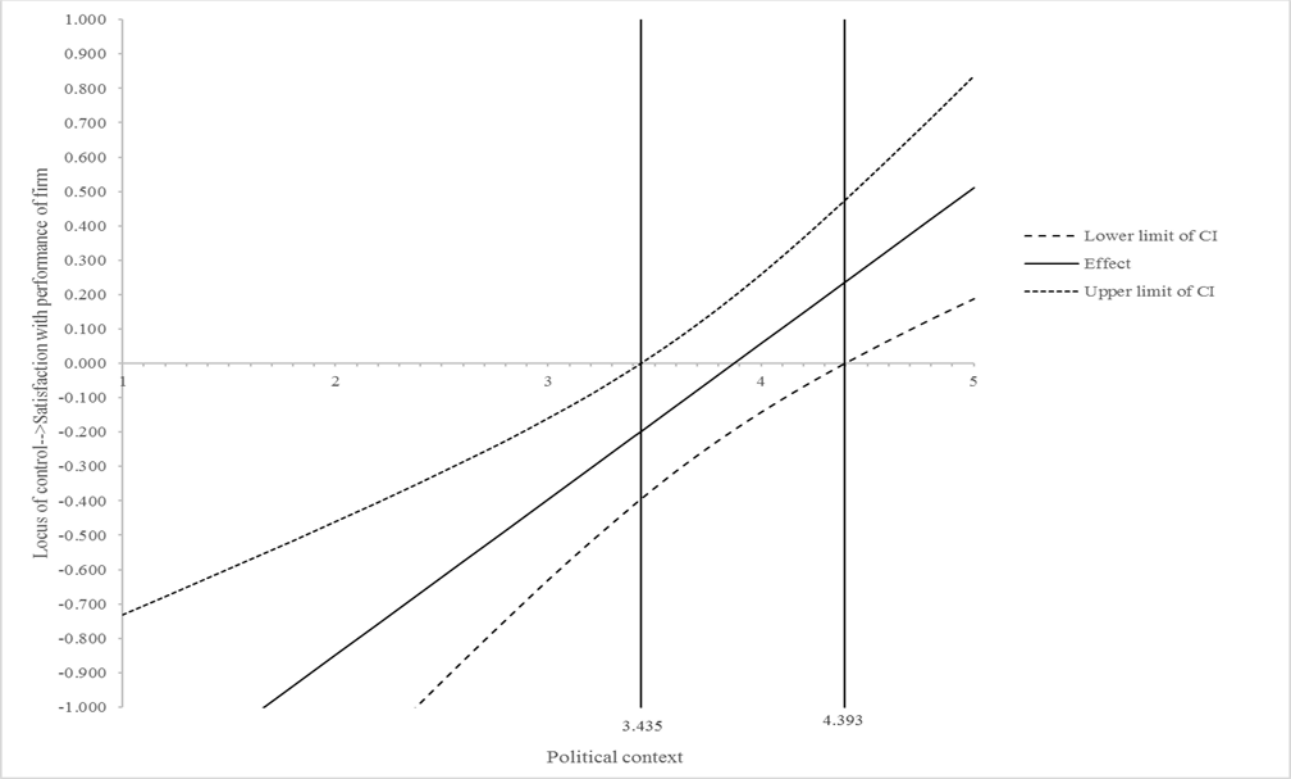



**Figure 19: The conditional effect of the locus of control on the satisfaction with performance of the firm at different values of the moderator (political context)**

In conclusion, the results from Figure 19 show that, the moderator positively moderates the influence of the locus of control on satisfaction with the performance of the firm. As the moderator increases, the negative influence of the locus of control on satisfaction with performance of the firm decreases and at higher values of the moderator, the influence is positive and increases. Therefore, $He_{16}$ is supported.

*Political context as a moderator of the - influence of the risk-taking propensity on satisfaction with performance (simple slopes analysis and J-N technique)*

The visual presentation of the results of the simple-slopes analysis is shown in Appendix 3l. When the political context is low (2.438 or 1 SD below the mean), the influence of the risk-taking propensity on satisfaction with performance is 0.100 and is not statistically significant (p=0.199). However, when the political context is medium (3.484 or the mean), the influence of the risk-taking propensity on satisfaction with performance decreases to -0.024 and is not statistically significant (p=0.667). When the political context is high (4.530), the influence of the risk-taking propensity on satisfaction with performance decreases further to -0.148 and is not significant (p=0.072). Therefore, the simple-slopes analysis confirms that as the value of the political context (moderator) increases, the positive influence of risk-taking propensity on satisfaction with performance decreases.

The J-N technique in Figure 20 is used to further interpret the results. In Figure 20 there are two regions of significance (*see Appendix 4l*). In the first region, when the moderator equals to 4.929 or lower, the influence of the risk-taking propensity on satisfaction with performance decreases (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0'). In the second region when the moderator is higher than 4.929 the influence of risk-taking propensity on satisfaction with the performance of the firm is negative and statistically significant. For example, when the moderator equals 5.000, the influence of the risk-taking propensity on satisfaction with performance is -0.204 and statistically significant (p=0.048).

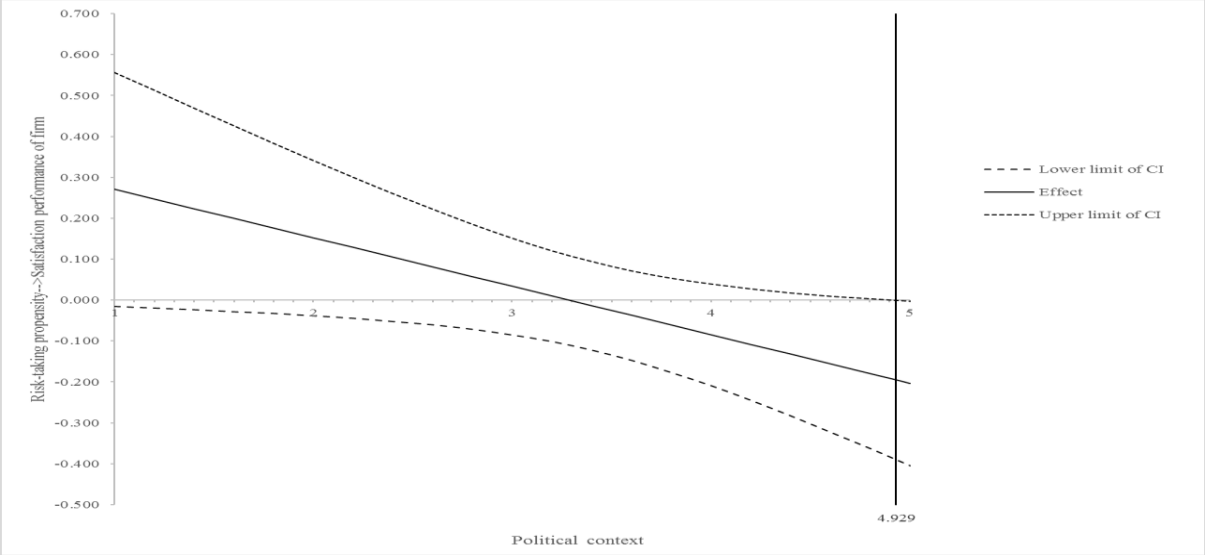



**Figure 20: The conditional effect of the risk-taking propensity on the satisfaction with performance of the firm at different values of the moderator (political context)**

In conclusion, the results from Figure 20 show that, the moderator negatively moderates the influence of the risk-taking propensity on the satisfaction with performance. As the perception of political context increases, the positive influence of risk-taking propensity on the satisfaction with performance decreases. Therefore, $He_{17}$ is supported.

### 4.7.3 Economic context as a moderator of the - the relationship of motivation, cognition and enterprise performance

The results of the regression model for economic context as a moderator to test the related moderation hypotheses are presented in Table 4.12.

In relation to the financial performance, two significant interaction terms emerged from the estimation of the regression model, the 'economic context' and 'risk-taking propensity' interaction term (-0.206, $p<0.05$) and the 'economic context' and 'ability' interaction term (0.234, $p<0.05$) both were significant. The $R^2$ of the regression model was 0.348, with significant F-ratio ($F_{(15, 296)}=10.543$, $p<.001$).

Furthermore, for the outcome construct relative performance, only one significant interaction term emerged from the estimation of the regression model. The 'economic context' and 'risk-taking propensity' interaction term was significant (-0.276, $p<0.05$). The $R^2$ of the regression model was 0.354. Additionally, the F-ratio was significant ($F_{(15, 296)}=10.823$, $p<.001$).

Lastly, two significant interaction terms emerged from the estimation of the regression model with satisfaction with performance as an outcome variable and economic context as a moderator. The 'economic context' and 'risk-taking propensity' interaction term (-0.221, $p<0.05$) and 'economic context' and 'skills' (-0.346, $p<0.05$) interaction term were both significant. The $R^2$ of the regression model was 0.451 with a significant F-ratio ($F_{(15, 296)}=16.238$, $p<.001$).

The five significant moderation hypotheses were inspected using a simple-slopes analysis and the J-N technique to interpret (see Figures 21-25).

**Table 4.12: Regression results for the moderating influence of economic context**

| | Financial Performance | | Relative performance | | Satisfaction with Performance | |
|---|---|---|---|---|---|---|
| **Model** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** | **Unstandardised coefficients** | **[95% bias corrected confidence interval]** |
| **constant** | 0.855 | [-1.369 - 3.078] | -0.112 | [-2.436 - 2.212] | 1.82** | [-0.123 - 3.763] |
| **nAch** | -0.058 | [-0.537 - 0.421] | 0.559** | [0.059 - 1.06] | 0.087 | [-0.331 - 0.506] |
| **LOC** | 0.083 | [-0.639 - 0.804] | -0.349 | [-1.103 - 0.405] | -0.677** | [-1.307 - -0.046] |
| **RTP** | 0.757*** | [0.352 - 1.161] | 1.117*** | [0.695 - 1.54] | 0.64*** | [0.286 - 0.993] |
| **ESE** | -0.351 | [-1.08 - 0.377] | -0.359 | [-1.12 - 0.403] | -0.299 | [-0.936 - 0.337] |
| **K** | -0.251 | [-1.174 - 0.671] | 0.65 | [-0.313 - 1.614] | -0.426 | [-1.232 - 0.379] |
| **SK** | 0.915 | [-0.296 - 2.127] | -0.695 | [-1.961 - 0.571] | 1.414*** | [0.356 - 2.472] |
| **AB** | -0.473 | [-1.062 - 0.117] | 0.569* | [-0.069 - 1.207] | -0.254 | [-0.769 - 0.261] |
| **ECO** | 0.117 | [-0.494 - 0.727] | -0.017 | [-0.633 - 0.599] | -0.388 | [-0.922 - 0.145] |
| **ECO*nAch** | 0.092 | [-0.049 - 0.233] | -0.122 | [-0.27 - 0.025] | -0.003 | [-0.126 - 0.12] |
| **ECO*LOC** | -0.136 | [-0.332 - 0.06] | 0.012 | [-0.193 - 0.217] | 0.169* | [-0.002 - 0.34] |
| **ECO*RTP** | **-0.206*** ** | **[-0.325 - -0.086]** | **-0.276*** ** | **[-0.401 - -0.151]** | **-0.221*** ** | **[-0.325 - -0.117]** |
| **ECO*ESE** | 0.102 | [-0.112 - 0.316] | 0.123 | [-0.1 - 0.347] | 0.145 | [-0.042 - 0.332] |
| **ECO*K** | 0.099 | [-0.151 - 0.35] | -0.065 | [-0.326 - 0.197] | 0.217** | [-0.002 - 0.436] |
| **ECO*SK** | -0.195 | [-0.514 - 0.124] | 0.154 | [-0.179 - 0.487] | **-0.346*** ** | **[-0.625 - -0.068]** |
| **ECO*AB** | **0.234*** ** | [0.063 - 0.404] | 0.041 | [-0.137 - 0.219] | 0.133* | [-0.016 - 0.281] |
| | | | | | | |
| **$R^2$** | 0.348 | | 0.354 | | 0.451 | |
| **Observations** | 312 | | 312 | | 312 | |

Source: Primary data *** p<0.01, ** p<0.05, * p<0.1

#### 4.7.3.1 Economic context as a moderator of the - relationship of motivation, cognition and financial performance

*Economic context as a moderator of the - influence of the risk-taking propensity on financial performance (simple slopes analysis and J-N technique)*

The illustration of the results of the simple-slopes analysis is presented in Appendix 3m. The results indicate that when the perception of the economic context moderating the influence of the risk-taking propensity on the financial performance of the firm is low (2.395 or SD 1 below the mean), the risk-taking propensity influences financial performance of the firm at the value of 0.264 and is statistically significant (p=0.002). When the economic context is medium (3.388 or the mean), the risk-taking propensity influence on financial performance decreases to 0.059 and is not statistically significant (p=0.379). When the economic context is high (4.380 or SD 1 above the mean), the influence of the risk-taking propensity on financial performance decreases further to -0.145 (p= 0.139) and is not significant. Therefore, the simple-slopes analysis indicates that, as the value of the moderator increases, the positive influence of the risk-taking propensity on financial performance decreases.

The result of the conditional effect based on the J-N technique is illustrated in Figure 21. It shows three regions of significance and two J-N precise points (see *Appendix 4m*). In the first region, when the value of the perception of the economic context (moderator) is less than 3.036, the positive influence of the risk-taking propensity on the financial performance of the firm decreases and is statistically significant. In the second region, when the moderator is 3.036 to 4.795 the influence of the risk-taking propensity on financial performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects for this range of the moderator includes '0'). Lastly, in the third region, when the moderator is higher than 4.795, the negative influence of the risk-taking propensity on financial performance increases further and is statistically significant.

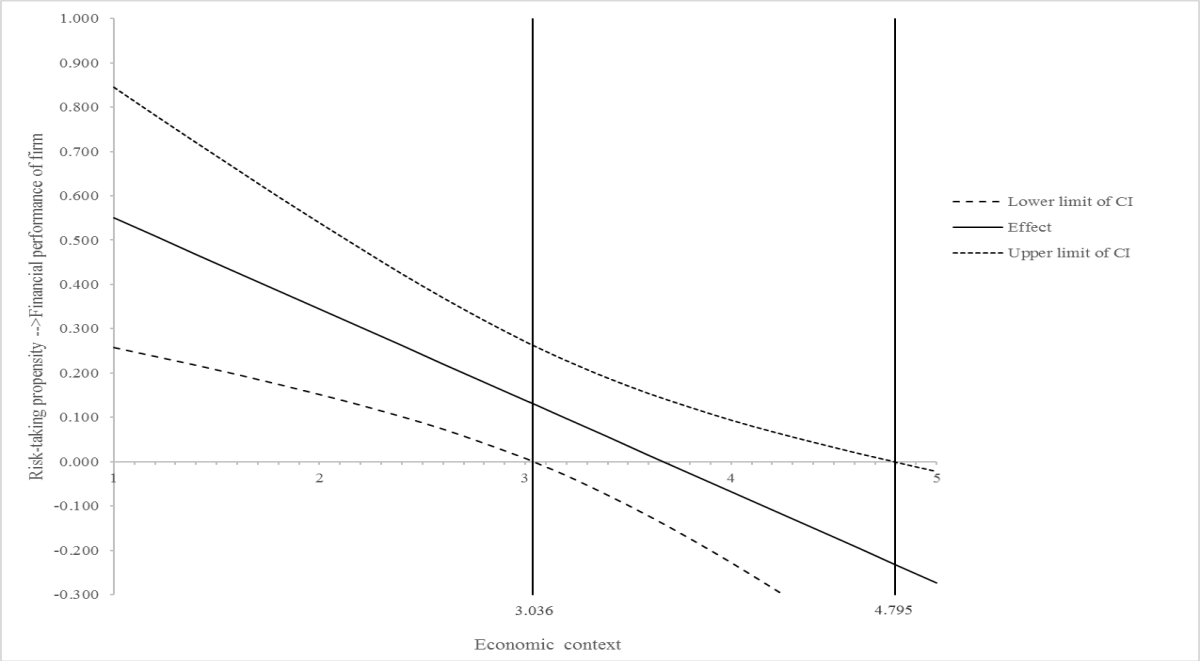



**Figure 21: The conditional effect of the risk-taking propensity on the financial performance of the firm at different values of the moderator (economic context)**

In conclusion, the perception of the economic context negatively moderates the influence of the risk-taking propensity on the financial performance of the firm. As the perception of the economic context increases, the positive influence of the risk-taking propensity on the financial performance of the firm decreases, and at very high values of the moderator, the influence is negative and increases further. Therefore, $H_{f3}$ is supported.

*Economic context as a moderator of the - influence of ability on financial performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis in Appendix 3n indicates that, when the economic context is low (2.395 or 1 SD below the mean), the influence of ability on financial performance is 0.087 and not significant (p=0.520). When the economic context is medium (3.388 or the mean), the influence of ability on the financial performance increases to 0.318 (p=0.007). When the social-cultural context is high (4.380), the influence of ability on financial performance increases further to 0.550 and is significant (p=0.000). Therefore, the simple-slopes analysis confirms that as the value of the moderator increases, the positive influence of ability on financial performance also increases.

The J-N technique is used to further interpret the results of the moderation as illustrated in Figure 22. It has two regions of significance (*see Appendix 4n*). In the first region, when the perception of the economic context (moderator) equals 3.004 and lower, the influence of ability on financial performance of the firm increases (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0'). In the second region, when the moderator is higher than 3.004, the influence of ability on financial performance is positive and statistically significant. This positive influence increases as the moderator increases.

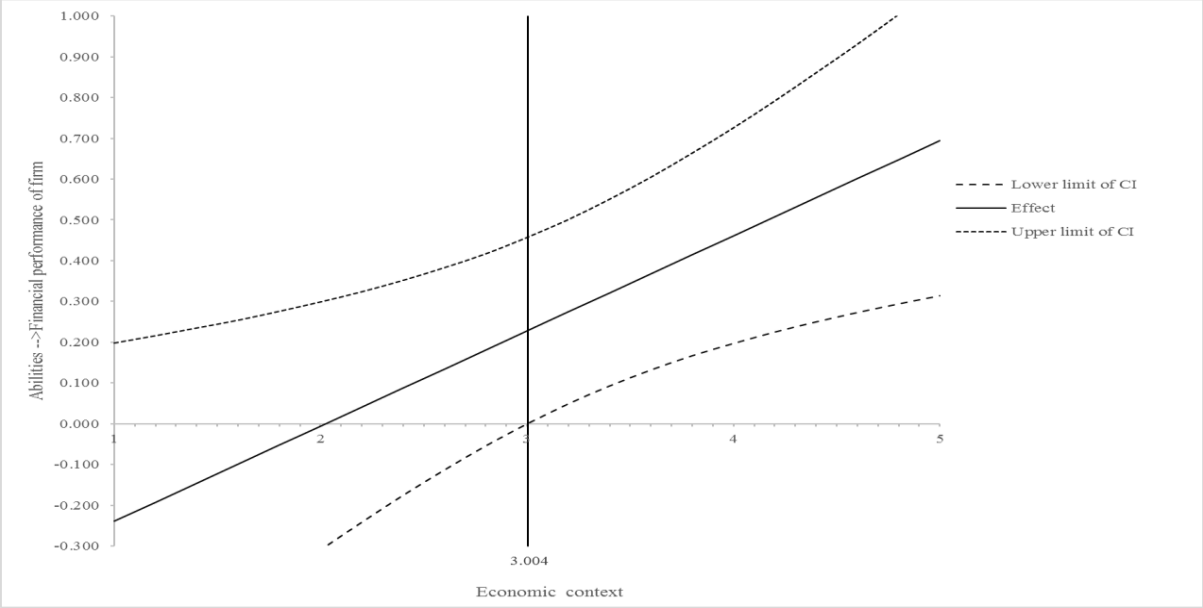



**Figure 22: The conditional effect of ability on the financial performance of the firm at different values of the moderator (economic context)**

Based on the results in Figure 22, it can be concluded that, the economic context positively moderates the influence of ability on financial performance. As the moderator increases, the positive influence of ability on financial performance increases. Therefore, $H_{f7}$ is supported.

#### 4.7.3.2 Economic context as a moderator of the - relationship of motivation, cognition and relative performance

*Economic context as a moderator of the - influence of the risk-taking propensity on relative performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis is visually illustrated in Appendix 3o. When the economic context is low (2.395 or 1 SD below the mean), the influence of the risk-taking propensity on relative performance is 0.455 and is statistically significant (p=0.000). However, when the economic context is medium (3.388 or the mean), the influence of skills on relative performance decreases to 0.181 and is statistically significant (p=0.010). When the economic context is high (4.380), the influence of the risk-taking propensity on relative performance decreases further to -0.093 and is not statistically significant (p=0.361). Therefore, the simple-slopes analysis confirms that as the value of the moderator increases, the positive influence of the risk-taking propensity on relative performance decreases.

The J-N technique is used to further interpret the results in Figure 23. There are three regions of significance (see A*ppendix 4o*). In the first region, when the perception of the economic context (moderator) is lower than 3.529, the risk-taking propensity exerts a decreasing statistically significant positive influence on relative performance. In the second region, when the perception of economic context is 3.529 to 4.990, the influence of the risk-taking propensity on relative performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects for this range of the moderator includes '0'). In the third region, when the moderator is higher than 4.990 the influence is negative and statistically significant. For example, when the moderator is 5.000, the influence is -0.264 and statistically significant (p=0.049).

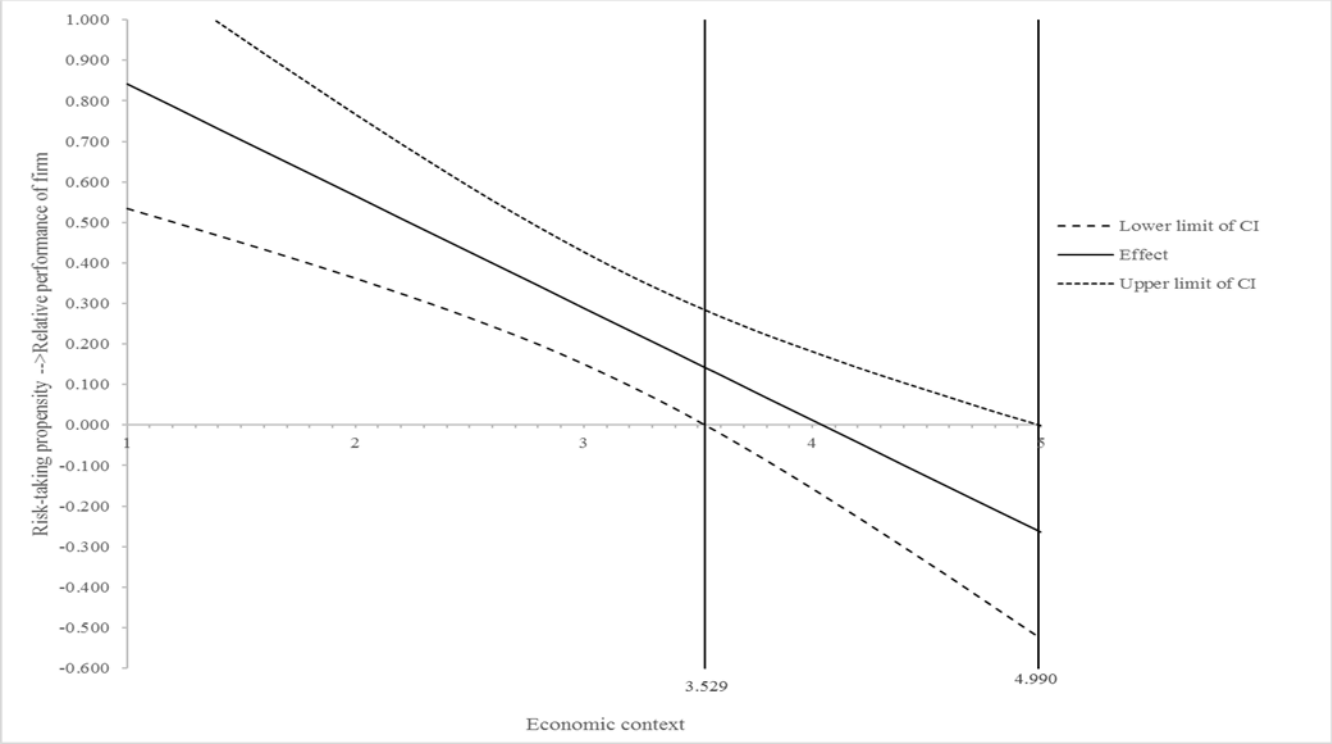



**Figure 23: The conditional effect of the risk-taking propensity on the financial performance of the firm at different values of the moderator (economic context)**

Conclusively, according to the results from Figure 23, the moderator negatively moderates the influence of the risk-taking propensity on relative performance, such that as the perception of economic context increases, the positive influence decreases and at very high values of the moderator, the influence is negative and increases further. Therefore, $H_{f10}$ is supported.

#### 4.7.3.3 Economic context as a moderator of the - relationship of motivation, cognition and satisfaction with performance

*Economic context as a moderator of the - influence of the risk-taking propensity on satisfaction with performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis illustrated in Appendix 3p indicates that, when the economic context is low (2.395 or 1 SD below the mean), the influence of the risk-taking propensity on satisfaction with performance is 0.110 and is not statistically significant (p=0.126). When the economic context is medium (3.388 or the mean), the influence of the risk-taking propensity on satisfaction with performance decreases to -0.109 and is not statistically significant (p=0.064). When the

economic context is high (4.380), the influence of the risk-taking propensity on satisfaction with performance decreases further to -0.328 and is statistically significant (p=0.000). Therefore, the simple-slopes analysis confirms that, as the value of the moderator increases, the positive influence of the risk-taking propensity on satisfaction with performance also decreases.

The J-N technique in Figure 24 is used to further interpret the results. There are three regions of significance (*see Appendix 4p*). In the first region, when the moderator is less than 2.193, the influence of the risk-taking propensity on satisfaction with performance of the firm is positive and statistically significant. This positive influence decreases as the moderator increases. In the second region, when the moderator is 2.193 to 3.420, the influence of the risk-taking propensity on satisfaction with performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects for this range of the moderator includes '0'). In the third region, when the moderator is higher than 3.420, the influence is negative and statistically significant, and this negative influence increases as the moderator increases.

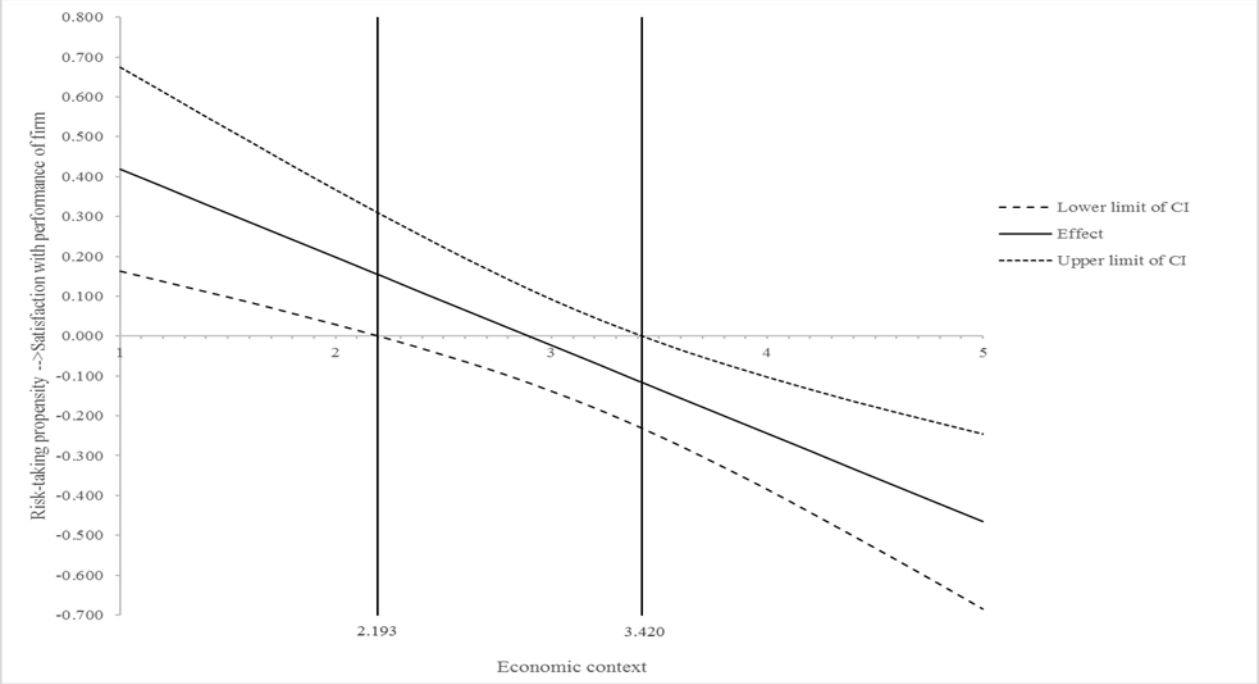


**Figure 24: The conditional effect of risk-taking propensity on the satisfaction with performance of the firm at different values of the moderator (economic context)**

In conclusion, the results from Figure 24 show that, the moderator negatively moderates the influence of the risk-taking propensity on satisfaction with performance. As the perception of economic context increases, the positive influence of the risk-taking propensity on satisfaction with performance decreases, and at higher values of the moderator the influence is negative and increases further. Therefore, $H_{f17}$ is supported.

*Economic context as a moderator of the - influence of skill on satisfaction with performance (simple slopes analysis and J-N technique)*

The simple-slopes analysis in Appendix 3q indicates that, when the perception of economic context is low (2.395 or 1 SD below the mean), the influence of skills on satisfaction with performance is 0.584 and is statistically significant (p=0.008). When the perception of economic context is medium (3.388 or the mean), the influence of skills on satisfaction with performance increases to 0.240 (p=0.049). When the perception of economic context is high (4.380), the influence of skills on satisfaction with performance decreases further to -0.103 and is not statistically significant (p=0.483). Therefore, the simple-slopes analysis shows that as the value of the moderator (economic context) increases, the positive influence of skills on satisfaction with performance decreases.

The J-N technique is used to further interpret the results in Figure 25. There are two regions of significance (*see Appendix 4q*). In the first region, when the moderator is less than 3.391, the influence of skills on satisfaction with performance is positive and statistically significant, but the positive influence decreases as the moderator increases. In the second region, when the moderator is equal to 3.391 or higher, the influence of skills on satisfaction with performance decreases further (the influence is positive, then negative) and is not statistically significant (the bias-corrected confidence interval for the estimated effects based on the values of the moderator in this region includes '0').

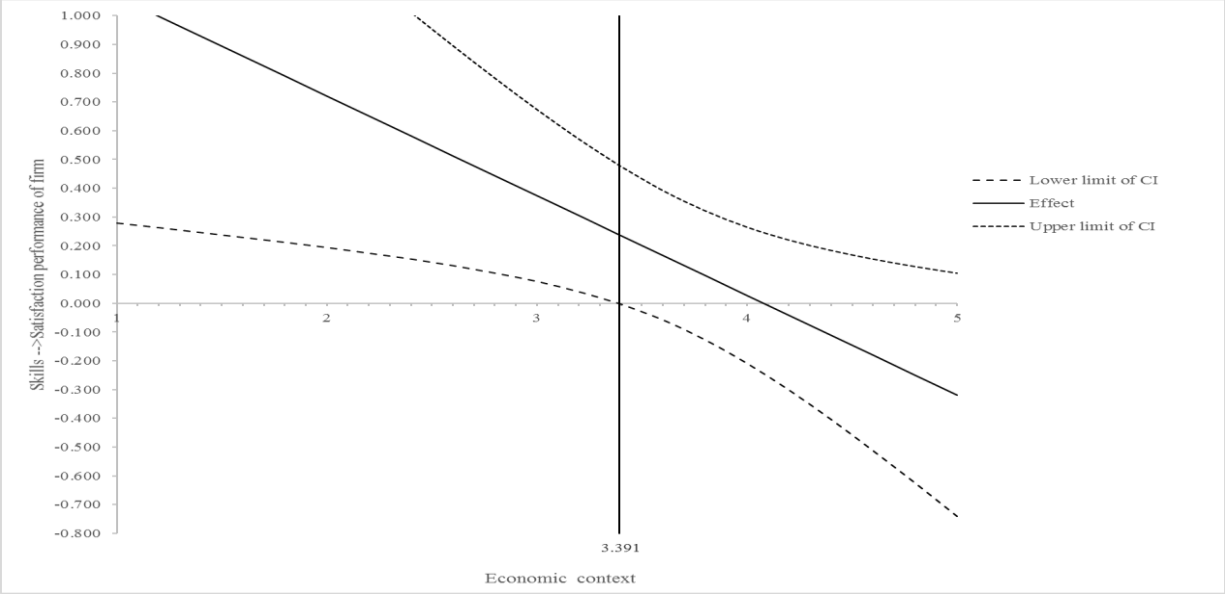



**Figure 25: The conditional effect of skills on the satisfaction with performance of the firm at different values of the moderator (economic context)**

In conclusion, the results from Figure 25 show that, the moderator negatively moderates the influence of skills on satisfaction with performance. As the perception of economic context increases, the positive influence of skills on satisfaction with performance of the firm decreases. Therefore, $H_{f20}$ is supported.

### 4.8 Hypotheses Testing

Six sets of hypotheses were tested in this study. Two sets of hypotheses were tested for direct effects on outcome variables. The first set of hypotheses focused on the relationship of factors of motivation and enterprise performance, while the second set focused on the influence of factors of cognition on enterprise performance. The third set of hypotheses focused on the joint influence of motivational and cognitive factors in relation to enterprise performance. The influence of social-cultural context as a moderator of the - relationship of motivation, cognitive factors and enterprise performance was hypothesised in the fourth set. In the fifth set, the political context was also examined as a moderator of the relationship of motivation, cognitive factors and enterprise performance. Lastly, economic context was evaluated as a moderator of the relationship of motivation, cognitive factors and enterprise performance.

Motivational factors of the need for achievement, locus of control, risk-taking propensity and entrepreneurial self-efficacy were hypothesised to significantly influence each of the three performance constructs of financial performance ($Ha_1$-$Ha_4$), relative performance ($Ha_5$-$Ha_8$) and satisfaction with performance ($Ha_9$-$Ha_{12}$) directly as hypothesised. In all, seven hypotheses were significant and supported and five hypotheses were not supported. The supported hypotheses are: the need for achievement->financial performance ($Ha_1$), risk-taking propensity->financial performance ($Ha_3$), and entrepreneurial self-efficacy->financial performance ($Ha_4$), risk-taking propensity-> relative performance ($Ha_7$), and the need for achievement->satisfaction with performance ($Ha_9$), risk-taking propensity->satisfaction with performance ($Ha_{11}$), and entrepreneurial self-efficacy->satisfaction with performance ($Ha_{12}$) were all statistically significant and supported. However, all hypotheses related to locus of control and the three performance measures were not significant and therefore not supported ($Ha_2$, $Ha_6$, $Ha_{10}$). In addition, hypotheses relating to the need for achievement and relative performance ($Ha_5$) and entrepreneurial self-efficacy and relative performance ($Ha_8$) were also not supported. (see Table 4.7 and Appendix 2a-2c).

Also, cognitive factors of knowledge, skill and ability were similarly hypothesised to influence financial performance ($Hb_1$-$Hb_3$), relative performance ($Hb_4$-$Hb_6$), and satisfaction with performance ($Hb_7$-$Hb_9$) directly. The results indicate that knowledge, skill and ability significantly influenced both relative performance ($Hb_4$-$Hb_6$) and performance satisfaction ($Hb_7$-$Hb_9$), whereas skill and ability influenced financial performance significantly ($Hb_2$-$Hb_3$) but knowledge did not ($Hb_1$). The results indicate that all the three measures of cognition influenced enterprise performance except knowledge in relation to financial performance only. Therefore, hypothesis $Hb_1$ was not supported. For cognition, eight of the nine hypotheses tested were supported except knowledge in relation to financial performance ($Hb_1$). (see Table 4.8 and Appendix 2d-2f).

The joint influence of motivational and cognitive factors on enterprise performance was hypothesised in relation to financial performance ($Hc_1$ to $Hc_7$), relative performance ($Hc_8$ to $Hc_{14}$), and satisfaction with performance ($Hc_{15}$ to $Hc_{21}$). The results in Figure 6 for $Hc_1$ to $Hc_7$ indicate that need for achievement statistically and significantly influenced the financial performance of the firm (0.269, $p<0.05$). Thus, $Hc_1$ was supported. Conversely as hypothesised,

locus of control significantly influenced financial performance of the firm (-0.292, $p<0.05$), therefore, $Hc_2$ was supported. The results of the analysis further show that the risk-taking propensity influenced financial performance (0.285, $p<0.05$). Thus, $Hc_3$ was also supported. Lastly, the results did not confirm the influence of entrepreneurial self-efficacy on financial performance (-0.004, $p>0.05$). $Hc_4$ was therefore not supported. Similarly, of the three factors relating to cognition in Table 4.9, only knowledge did not influence financial performance (0.038, $p>0.05$). Thus, $Hc_5$ was not supported. The results of the study did find support for $Hc_6$ and $Hc_7$. Both skills (0.189, $p<0.05$) and ability (0.160, $p<0.05$) positively and significantly influenced the financial performance of the firm. The 95 per cent bias-corrected confidence intervals included in Table 4.9 further support the basis for the acceptance and rejection of the hypotheses as discussed.

The results for the testing of $Hc_8$ to $Hc_{14}$ are presented in Figure 7. Based on the hypotheses proposed, the need for achievement did not significantly influence the relative performance despite the significance of the p-value (0.158, $p<0.05$). The 95 per cent bias corrected confidence interval is negative (LLCI= -0.027). Therefore, $Hc_8$ was not supported. In addition, the locus of control did not influence the relative performance, therefore $Hc_9$ was not supported. However, the risk-taking propensity positively, statistically and significantly influenced the relative performance of the firm (0.379, $p<0.05$), meaning that the risk-taking propensity positively influenced the relative performance. Thus, $Hc_{10}$ was supported. Lastly, entrepreneurial self-efficacy could not be confirmed to have influenced relative performance (-0.094, $p>0.05$). In analysing the cognitive factors in the results presented in Figure 7, only knowledge had a significant and positive relationship with the relative performance (0.236, $p<0.05$). Thus, $Hb_5$ was supported. On the contrary, the results did not find support for $Hc_{13}$ and $Hc_{14.}$ Therefore, the hypotheses testing both skills and ability for influence on relative performance were not supported. Therefore, knowledge as a cognitive factor has the most influence on relative performance. The results of the seven hypotheses ($Hc_8$ to $Hc_{14}$) discussed in this section are summarised in Table 4.9. The 95 per cent bias-corrected confidence intervals included in the table further support the rationale for accepting and rejecting the hypotheses as discussed.

The results for the testing of $Hc_{15}$ to $Hc_{21}$ are presented in Figure 8. Based on the hypotheses proposed, $Hc_{15,}$ $Hc_{16}$ and $Hc_{17}$ were supported and only $Hc_{18}$ was not supported. In $Hc_{15,}$ $Hc_{16}$ and

$Hc_{17,}$ the need for achievement (0.261, $p<0.05$), locus of control (-0.182, $p<0.05$), and risk-taking propensity (0.154, $p<0.05$), significantly influenced satisfaction with performance and were all supported. However, the direction of effects (signs) differed, $Hc_{15}$ and $Hc_{17}$ were positive, while $Hc_{16}$ was negative. Lastly, hypothesis ($Hc_{18}$) testing the influence of entrepreneurial self-efficacy on satisfaction with performance could not be confirmed (0.090, $p>0.05$). For cognition, only knowledge had a significantly positive relationship with satisfaction with performance (0.223, $p<0.05$). Thus, $Hc_{19}$ was supported. On the contrary, the results did not find support for $Hc_{20}$ and $Hc_{21.}$ Therefore, the hypotheses testing both skills and ability for influence on relative performance were not supported. Therefore, knowledge as a cognitive factor exerted the most influence on satisfaction with performance.

In the following section, all hypotheses tested in relation to contextual factors of social-cultural, political and economic contexts are presented and the significant hypotheses are summarised in Tables 4.13 to 4.15.

*Summary of the testing of the moderator –effect hypotheses (social-cultural context)*

The results of testing the moderator effects of the socio-cultural variable are summarised in Table 4.13. Out of the twenty-one (21) moderator–effect - hypotheses tested, six (6) were significant. Firstly, the social-cultural context moderated the individual influences of the need for achievement, risk-taking propensity and skills on financial performance. Secondly, it moderated the influence of risk-taking propensity on relative performance. Thirdly, it moderated the influence of risk-taking propensity and skills on satisfaction with performance.

**Table 4.13: Summary of the results of the moderation hypotheses (social-cultural context)**

| Hypotheses | Hypotheses Supported or Not supported | Remark |
|---|---|---|
| **$H_{d1}$**: The social-cultural context moderates the influence of the need for achievement on the financial performance of the firm | Supported | Positively moderates |
| **$H_{d2}$**: The social-cultural context moderates the influence of locus of control on the financial performance of the firm | Not supported | |
| **$H_{d3}$**: The social-cultural context moderates the influence of risk-taking propensity on the financial performance of the firm | Supported | Negatively moderates |
| **$H_{d4}$**: The social-cultural context moderates the influence of entrepreneurial self-efficacy on the financial performance of the firm | Not supported | |
| **$H_{d5}$**: The social-cultural context moderates the influence of knowledge on the financial performance of the firm | Not supported | |

| | | |
|---|---|---|
| **$H_{d6}$**: The social-cultural context moderates the influence of skills on the financial performance of the firm | Supported | Positively moderates |
| **$H_{d7}$**: The social-cultural context moderates the influence of ability on the financial performance of the firm | Not supported | |
| **$H_{d8}$**: The social-cultural context moderates the influence of the need for achievement on the relative performance of the firm | Not supported | |
| **$Hd_{9}$**: The social-cultural context moderates the influence of the locus of control on the relative performance of the firm | Not supported | |
| **$Hd_{10}$**: The social-cultural context moderates the influence of the risk-taking propensity on the relative performance of the firm | Supported | Negatively moderates |
| **$Hd_{11}$**: The social-cultural context moderates the influence of entrepreneurial self-efficacy on the relative performance of the firm | Not supported | |
| **$Hd_{12}$**: The social-cultural context moderates the influence of knowledge on the relative performance of the firm | Not supported | |
| **$Hd_{13}$**: The social-cultural context moderates the influence of skills on the relative performance of the firm | Not supported | |
| **$Hd_{14}$**: The social-cultural context moderates the influence of ability on the relative performance of the firm | Not supported | |
| **$H_{d15}$**: The social-cultural context moderates the influence of the need for achievement on satisfaction with performance of the firm | Not supported | |
| **$H_{d16}$**: The social-cultural context moderates the influence of the locus of control on satisfaction with performance of the firm | Not supported | |
| **$H_{d17}$**: The social-cultural context moderates the influence of the risk-taking propensity on satisfaction with performance of the firm | Supported | Negatively moderates |
| **$H_{d18}$**: The social-cultural context moderates the influence of entrepreneurial self-efficacy on satisfaction with performance of the firm | Not supported | |
| **$H_{d19}$**: The social-cultural context moderates the influence of knowledge on satisfaction with performance of the firm | Not supported | |
| **$H_{d20}$**: The social-cultural context moderates the influence of skills on satisfaction with performance of the firm | Supported | Positively moderates |
| **$H_{d21}$**: The social-cultural context moderates the influence of ability on satisfaction with performance of the firm | Not supported | |

*Summary of the testing of the moderation hypotheses* (*political context*)

The results of testing the moderator effects of the political variable are summarised in Table 4.14. Out of the twenty-one (21) moderator–effect - hypotheses tested, six (6) were significant. The political context only moderated the influence of knowledge on financial performance Furthermore, the political context moderated the individual influences of the need for achievement, the risk-taking propensity and skills on relative performance. And lastly, the political context moderated the individual influences of the locus of control and risk-taking propensity on satisfaction with performance.

**Table 4.14: Summary of the results of the moderation hypotheses testing (political context)**

| Hypotheses | Hypotheses Supported or Not supported | Remark |
|---|---|---|
| **$H_{e1}$**: The political context moderates the influence of the need for achievement on the financial performance of the firm | Not supported | |
| **$H_{e2}$**: The political context moderates the influence of the locus of control on the financial performance of the firm | Not supported | |
| **$H_{e3}$**: The political context moderates the influence of the risk-taking propensity on the financial performance of the firm | Not supported | |
| **$He_4$**: The political context moderates the influence of entrepreneurial self-efficacy on the financial performance of the firm | Not supported | |
| **$He_5$**: The political context moderates the influence of knowledge on the financial performance of the firm | Supported | Negatively moderates |
| **$He_6$**: The political context moderates the influence of skills on the financial performance of the firm | Not supported | |
| **$He_7$**: The political context moderates the influence of ability on the financial performance of the firm | Not supported | |
| **$He_8$**: The political context moderates the influence of the need for achievement on the relative performance of the firm | Supported | Negatively moderates |
| **$He_9$**: The political context moderates the influence of the locus of control on the relative performance of the firm | Not supported | |
| **$He_{10}$**: The political context moderates the influence of the risk-taking propensity on the relative performance of the firm | Supported | Negatively moderates |
| **$He_{11}$**: The political context moderates the influence of entrepreneurial self-efficacy on the relative performance of the firm | Not supported | |
| **$He_{12}$**: The political context moderates the influence of knowledge on the relative performance of the firm | Not supported | |
| **$H_{e13}$**: The political context moderates the influence of skills on the relative performance of the firm | Supported | Positively moderates |
| **$H_{e14}$**: The political context moderates the influence of ability on the relative performance of the firm | Not supported | |
| **$H_{e15}$**: The political context moderates the influence of the need for achievement on satisfaction with performance of the firm | Not supported | |
| **$H_{e16}$**: The political context moderates the influence of the locus of control on satisfaction with performance of the firm | Supported | Positively moderates |
| **$H_{e17}$**: The political context moderates the influence of risk-taking propensity on satisfaction with performance of the firm | Supported | Negatively moderates |
| **$H_{e18}$**: The political context moderates the influence of entrepreneurial self-efficacy on satisfaction with performance of the firm | Not supported | |
| **$H_{e19}$**: The political context moderates the influence of knowledge on satisfaction with performance of the firm | Not supported | |
| **$H_{e20}$**: The political context moderates the influence of skills on satisfaction with performance of the firm | Not supported | |
| **$H_{e21}$**: The political context moderates the influence of ability on satisfaction with performance of the firm | Not supported | |

*Summary of the testing of the moderation hypotheses (economic context)*

The results of testing the moderator effects of the economic variable are summarised in Table 4.15. Five (5), out of the twenty-one (21) moderator–effect - hypotheses tested, were significant. The economic context moderated the individual influences of risk-taking propensity and ability on financial performance. Furthermore, the economic context moderated the relationship of risk-taking propensity and the relative performance. And lastly, the economic context moderated the individual influences of risk-taking propensity and skills on satisfaction with performance.

**Table 4.15: Summary of the results of the moderation hypotheses testing (economic context)**

| Hypotheses | Hypotheses Supported or Not supported | Remark |
|---|---|---|
| **$H_{f1}$**: The economic context moderates the influence of the need for achievement on the financial performance of the firm | Not supported | |
| **$H_{f2}$**: The economic context moderates the influence of the locus of control on the financial performance of the firm | Not supported | |
| **$H_{f3}$**: The economic context moderates the influence of risk-taking propensity on the financial performance of the firm | Supported | Negatively moderates |
| **$H_{f4}$**: The economic context moderates the influence of entrepreneurial self-efficacy on the financial performance of the firm | Not supported | |
| **$H_{f5}$**: The economic context moderates the influence of knowledge on the financial performance of the firm | Not supported | |
| **$H_{f6}$**: The economic context moderates the influence of skills on the financial performance of the firm | Not supported | |
| **$H_{f7}$**: The economic context moderates the influence of ability on the financial performance of the firm | Supported | Positively moderates |
| **$H_{f8}$**: The economic context moderates the influence of the need for achievement on the relative performance of the firm | Not supported | |
| **$H_{f9}$**: The economic context moderates the influence of the locus of control on the relative performance of the firm | Not supported | |
| **$H_{f10}$**: The economic context moderates the influence of risk-taking propensity on the relative performance of the firm | Supported | Negatively moderates |
| **$H_{f11}$**: The economic context moderates the influence of entrepreneurial self-efficacy on the relative performance of the firm | Not supported | |
| **$H_{f12}$**: The economic context moderates the influence of knowledge on the relative performance of the firm | Not supported | |
| **$H_{f13}$**: The economic context moderates the influence of skills on the relative performance of the firm | Not supported | |
| **$H_{f14}$**: The economic context moderates the influence of ability on the relative performance of the firm | Not supported | |
| **$H_{f15}$**: The economic context moderates the influence of the need for achievement on satisfaction with performance of the firm | Not supported | |
| **$H_{f16}$**: The economic context moderates the influence of the locus of control on satisfaction with performance of the firm | Not supported | |

| | | |
|---|---|---|
| **$H_{f17}$**: The economic context moderates the influence of risk-taking propensity on satisfaction with performance of the firm | Supported | Negatively moderates |
| **$H_{f18}$**: The economic context moderates the influence of entrepreneurial self-efficacy on satisfaction with performance of the firm | Not supported | |
| **$H_{f19}$**: The economic context moderates the influence of knowledge on satisfaction with performance of the firm | Not supported | |
| **$H_{f20}$**: The economic context moderates the influence of skills on satisfaction with performance of the firm | Supported | Negatively moderates |
| **$H_{f21}$**: The economic context moderates the influence of ability on satisfaction with performance of the firm | Not supported | |

### 4.9 Chapter Summary

This chapter presented and analysed data from the questionnaire guided by the research questions and hypotheses. The results are summarised below.

i. The measurement model (PLS-SEM) using confirmatory factor analysis (CFA) indicates that the composite reliability (CR) values of all the latent constructs in the original model was 0.6 and greater, and the average variance extracted (AVE) was higher than 0.5, except the need for achievement. Thus, all constructs demonstrated sufficient internal consistency except for one item in need for achievement, whose outer loading was below the minimum acceptable loading of 0.6 for CR and was excluded from the analysis without affecting the construct. All constructs therefore meet the minimum requirements for AVE and CR for further analysis.

ii. In conjunction with the skewness and kurtosis results, normality test for each item (Shapiro-Wilk test) shows that the data is not from a univariate normal population but distributed fairly and appropriate for the PLS-SEM analysis.

iii. The analytical approaches adopted for the study include the assessment of PCA, structural model, moderation hypotheses and plotting the interaction terms.

iv. The PCA was conducted in relation to some specific background information. Key highlights from the PCA revealed that location, gender, education, previous managerial experience, experience from parents' business, scope of operations, and ethnic background are pivotal in influencing enterprise performance in South Africa (Table 4.6).

v. The exogenous latent constructs (motivation and cognitive factors) as predictors of the three endogenous latent constructs of financial, relative and performance satisfaction

were independently assessed for direct effects. The results as contained in Tables 4.7 and 4.8 provide the background for the structural model and the moderation hypotheses that followed.

vi. The structural model with each variant of enterprise performance (financial, relative and satisfaction with performance) in relation to seven latent constructs of the need for achievement, the locus of control, the risk-taking propensity, entrepreneurial self-efficacy on the one hand (motivation) and knowledge, skills and ability on the other hand (cognition) were examined. This is the main model in this study (Figures 6-8).

vii. The results from the structural model of testing the seven hypotheses for each variant of enterprise performance (endogenous latent construct) reveal the following:

*Financial Performance*: The motivational factor exerting the strongest influence on the financial performance of the firm was the risk-taking propensity, followed by the need for achievement and locus of control, while entrepreneurial self-efficacy could not be confirmed as expected. From the three factors relating to cognition, skills exert the strongest influence on financial performance, followed by ability, but knowledge could not be confirmed (Table 4.9).

*Relative Performance*: The risk-taking propensity was the only motivation factor confirmed to be significant, while the need for achievement (not supported due to negative LLCI, despite significant p-value), the locus of control and entrepreneurial self-efficacy were not significant as hypothesised. Knowledge was the only factor confirmed to influence relative performance as a factor of cognition, while skill and ability could not be confirmed (Table 4.9).

*Satisfaction with Performance*: Three of the four factors of motivation were confirmed to influence satisfaction with performance of the firm (need for achievement, the locus of control, and the risk-taking propensity). However, this was not the case with entrepreneurial self-efficacy. Similarly, for the variants of cognition, only knowledge was confirmed to influence satisfaction with performance, while skill and ability could not be confirmed as hypothesised (Table 4.9).

viii. The results of the moderation hypotheses, simple-slopes analysis and J-N technique reveal in part, the critical points of significance for different moderators as applicable to the latent/observed constructs. The results of the moderating hypotheses tested for the structural model are summarised below.

*Social-cultural context as a Moderator/Interaction term I*: Six interaction terms were confirmed. In terms of direction of influence, three were found to be negatively moderating and three were positive. The social-cultural context negatively moderated the influence of the risk-taking propensity on the three performance measures of financial, relative and satisfaction with performance of the firm. On the other hand, the social-cultural context positively moderated the influence of the need for achievement on financial performance, and skill moderated both the financial performance and satisfaction with performance of the firm (Table 4.13).

*Political context as a Moderator/Interactions terms II*: Six moderation hypotheses were confirmed, four were found to be negatively moderating and two were positive. The political context was found to positively moderate the influence of skills on relative performance and the locus of control regarding satisfaction with performance of the firm. However, the political context negatively moderates the relationship of knowledge with the financial performance, and the need for achievement on the relative performance respectively. In addition, the political context negatively moderates the relationship of the risk-taking propensity on both the relative performance and satisfaction with performance of the firm. Other factors of motivation and cognition could not be confirmed (Table 4.14).

*Economic context as a Moderator/Interactions terms III*: Out of the supported five significant hypotheses, four were negatively moderating and one was positively moderating. The economic context negatively moderated the influence of the risk-taking propensity on all three of the enterprise performance factors viz. financial, relative and satisfaction with performance. In addition, the economic context negatively moderates the influence of skill on satisfaction with performance of the firm. Lastly, the economic context positively moderates the influence of ability on the financial performance of the firm. (Table 4.15).

ix. Overall, the results give credence to the theoretical framework chosen for the study. The social cognitive theory (SCT) emphasises the interactions of individual, behaviour and context. Firstly, the result confirms the relevance and interactions of factors of individual motivation and cognition, which as conceptualised form the basis for entrepreneurial behaviour. Secondly, it confirms the moderating influence of context (all factors moderate in different configurations/directions) on factors of motivation and cognition in their relationship with the outcome variables. Thirdly, it highlights the influence of interaction terms on the factors of enterprise performance. Importantly, the interaction terms (Tables 4.10-4.12), showed stronger $R^2$ in comparison with the structural model (Table 4.9). Stronger $R^2$ indicates the higher explanatory power of the interaction terms.

The results obtained in this chapter and from the interviews in Chapter Five form the basis for the discussions and conclusion of the study.

# CHAPTER FIVE

# QUALITATIVE RESULTS

This chapter presents findings from the qualitative data derived from the interviews conducted. Narrative accounts of the entrepreneurs that were interviewed in the study are presented based on emerging themes and sub-themes derived from the objectives of the study.

## 5.1 Emergent Themes and Sub-themes

Following the indexing, emergent themes were identified, refined and merged. Subsequently, the following three main themes are categorised and presented in Figure 26:

- Motivation
- Cognition
- Context

Under each of these emergent themes, the corresponding sub-themes that were identified during the data analysis are presented in Figures 27-29**.** The views expressed by the respondents in relation to the emergent themes and sub-themes are presented and discussed.

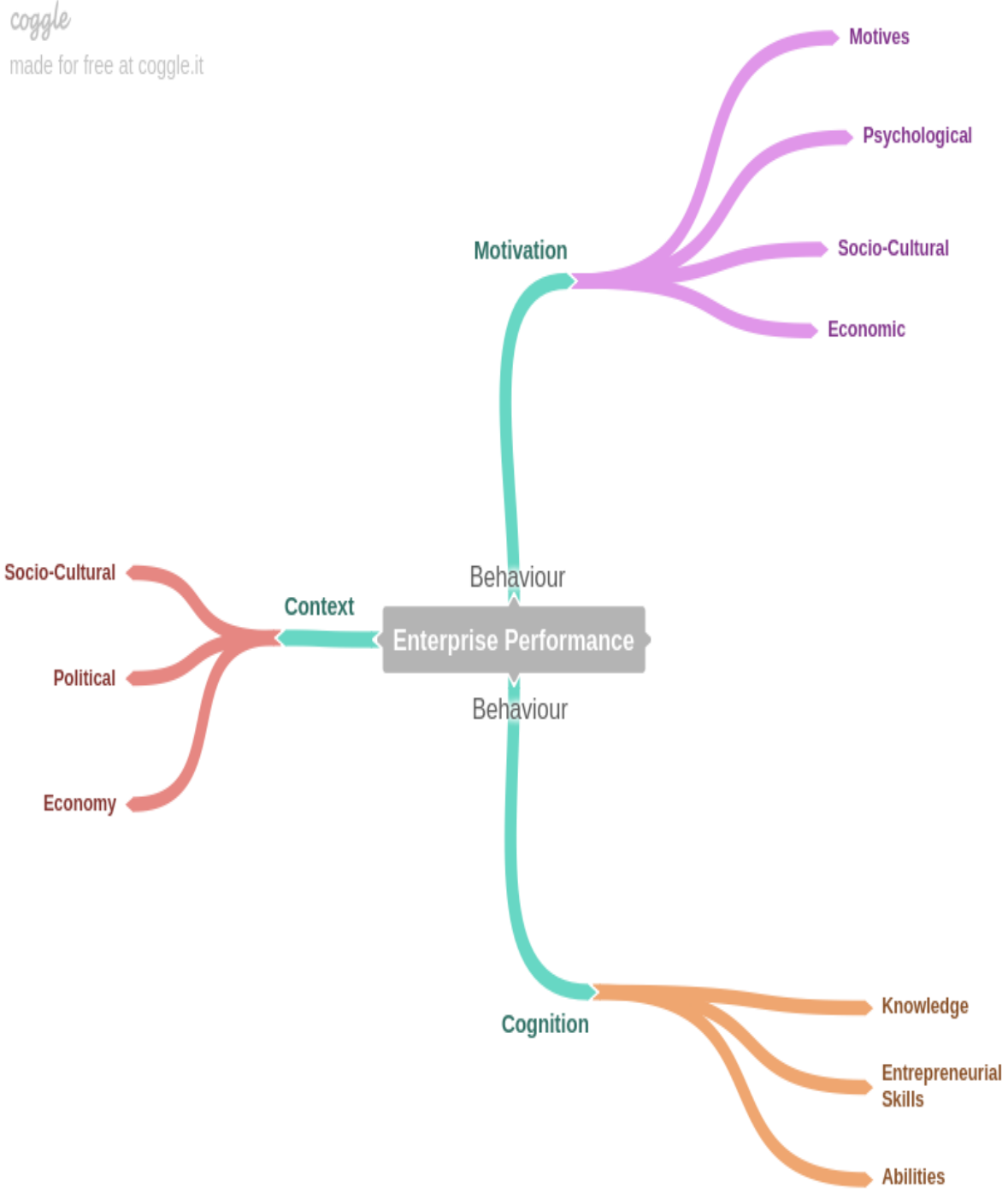



**Figure 26: Mind Map of Emergent Themes of Enterprise Performance Based on the Content Analysis of Field Data by the researcher.**

## 5.2 Participants Characteristics

The participants in the study were categorised according to gender, race, geographical location and the nature of their business in Table 5.1. In all, thirty-five participants were interviewed across the three metros of Cape Town, Durban, and Johannesburg in South Africa. The participants included 22 males and 13 females. They represented the major ethnic/racial configurations in South Africa. Black South Africans were the largest group of participants with 14 interviewees, while the non-South African participants were 12. Eight of the participants were White South Africans and there was only one Coloured, South African among the participants.

The study endeavoured to achieve gender and locational balance except when it was not possible. There was a gender parity ratio of 6:6 in Durban and Johannesburg, but only one female respondent from Cape Town. The skewness in gender and racial distribution was simply due to the accessibility and cooperation received from participants. The researcher had more cooperation from the males than the females especially in Cape Town and Johannesburg.

The nature of the businesses of the participants were categorised into six groups as illustrated in Table 5.1. The Community and Social and Personal Services sector had the highest number of participants (14) in diverse business areas of the economy, followed by Finance and Business Services. Further details are provided in Table 5.1 and the accompanying notes.

**Table 5.1: Socio-Demographic Characteristics of the Participants and Business Classification**

| **Gender** | | **Race** | | **Location** | | **Nature of Business** | |
|---|---|---|---|---|---|---|---|
| **Categories** | **Frequency** | **Categories** | **Frequency** | **Categories** | **Frequency** | **Categories** | **Frequency** |
| Male | 22 | Black, South African | 14 | Johannesburg***** | 15 | Construction | 3 |
| Female | 13 | White, South African | 8 | Cape Town | 8 | Community, Social & Personal Services****** | 14 |
| | | Coloured, South African | 1 | Durban | 12 | Electricity, Gas, Water | 3 |
| | | Non-South African | 12 | | | Finance & Business Services******* | 10 |
| | | | | | | Wholesale & Retail Trade | 5 |
| **Total** | 35 | **Total** | 35 | **Total** | 35 | **Total****** | 35 |

Source: Primary data

*Three male participants from Johannesburg were excluded from the final analysis for the following reasons: the need to ensure gender and locational balance, non-disclosure of the business nature, and similarity in responses received from the same location (theoretical saturation). The analysis is based on responses from 32 participants.

**Community, Social & Personal Services include: ICT services/repairs/retail (3), children entertainment (1), transport (1), beauty products (1), educational services (1), catering (1), dry-cleaning (1), Therapist (1), Furniture production (1), travel agency (1), Community/Personal Services (1), Franchise/tyre solution (1).

***Finance & Business Services include: business/finance services (5), auditing & accounts (1), asset management/insolvency (1), training (1), placement agency (1), marketing solutions (1).

****The nature of the business of a male respondent from Johannesburg could not be obtained. Though he was included as part of the total number of participants but excluded from the analysis with two other participants as noted above.

### 5.3 Motivation and Enterprise Performance

The findings revealed that different motivational factors influence entrepreneurs in achieving performance goals. The network view in Figure 26 shows the interrelationships of the different motivational factors that influence entrepreneurs and subsequently drive enterprise performance. The themes identified were broadly categorised into motives, psychological, socio-cultural and economic factors. Though the emergent themes were driven by the existing literature and theories, most of them were not considered in the questionnaire for the purpose of model compactness and ease of obtaining responses. However, the views expressed by the participants during the interviews illuminated the quantitative findings.

Motives relate to the personal desires of entrepreneurs that are driven by reasons such as autonomy, problem solving, push factors and intrinsic motivation among others. Psychological factors include: vision (bigger picture of success), initial achievement (previous success as stimulus to seek greater achievement), innate talent, practical skills (learning opportunities), passion/egoistic passion and self-esteem. In addition, socio-cultural factors include family issues/support (a connection between family support, wellbeing and enterprise performance), peer influence (as motivation for business and success), peer reference (having successful entrepreneurs as mentors one looks up to). Lastly, economic factors relate to risk-taking (purposive and opportunistic), enterprise success (as a motivating factor and performance indicator), wealth creation (making money as a personal goal, profit maximisation and growth as indicators of performance) and economic growth. Some of these emergent themes and sub-themes are further elaborated in line with the network view presented in Figures 27a and 27b below.

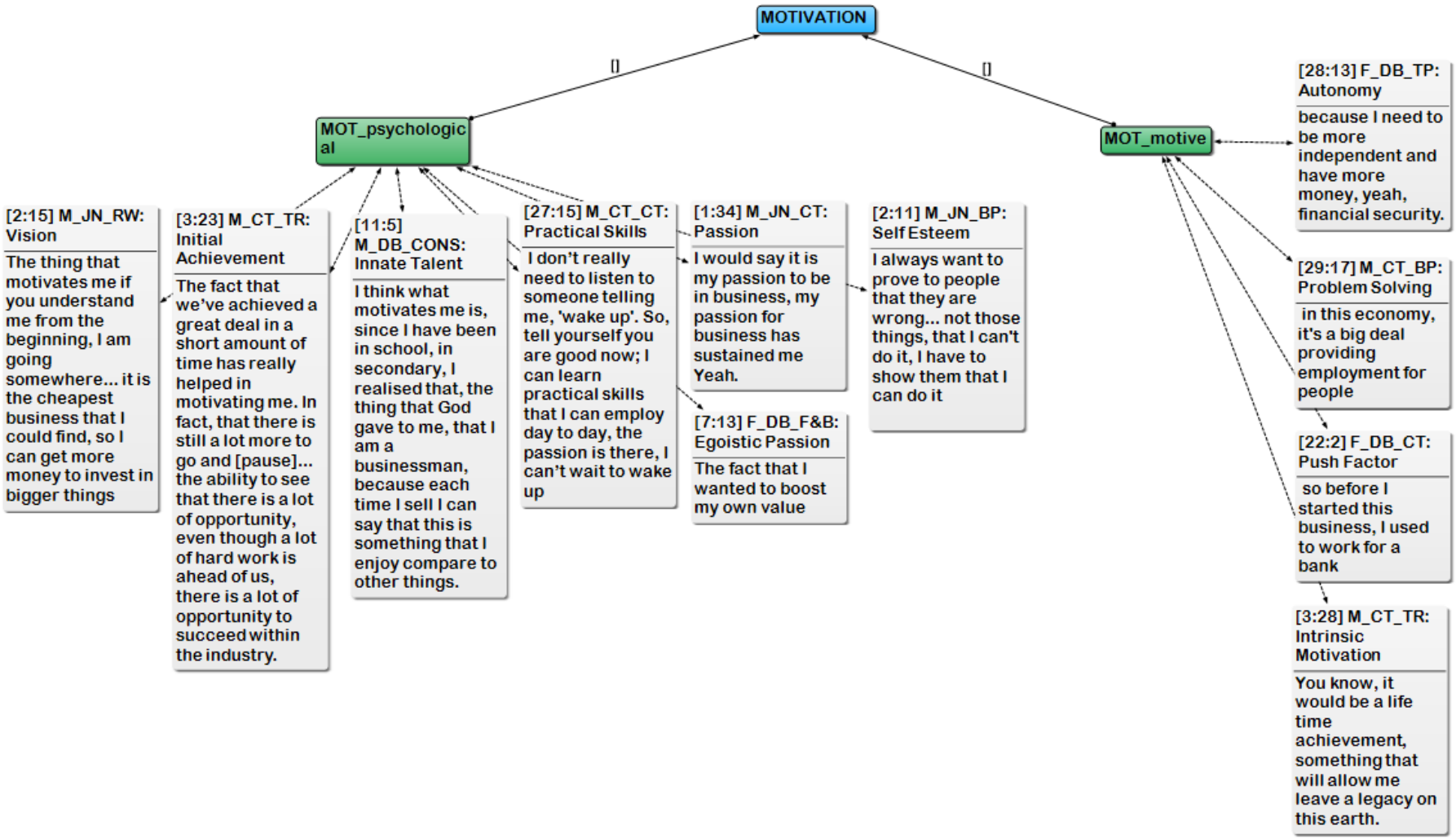



**Figure 27a: Network view relationship describing motivation of respondents: Motives and Psychological factors**

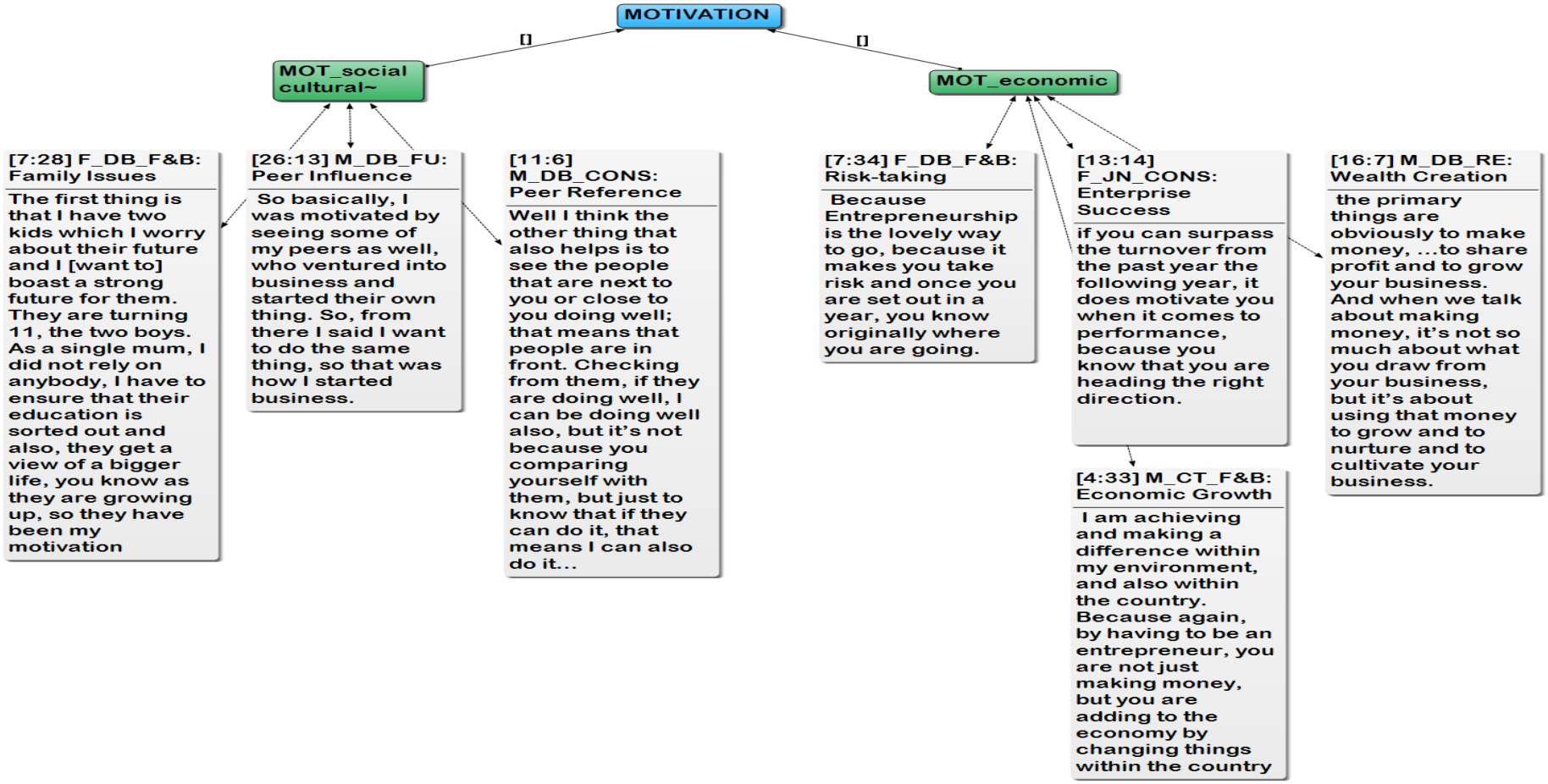



**Figure 27b: Network view relationship describing motivation of respondents: Socio-cultural and economic factors**

(Gender): M-Male, F-Female; (Location): CT-Cape Town, DB-Durban, JN-Johannesburg;

(Nature of Business): BP- beauty products, CONS-construction, CT- SME consultant, F&B- finance & business, FU-furniture, RE- retail., RW-retail & wholesale, TR-training, TP-Transport.

### 5.3.1 Motives

The motives for founding a business are one of the four emergent themes from the interviews in relation to motivation for entrepreneurship. The emergent sub-themes include, autonomy, time and financial freedom, being part of solutions to challenges facing society, provide for the family, become successful, have self-fulfilment/actualisation, overcome the challenges of unemployment as a necessity entrepreneur and leave an enduring legacy. They are presented in Figures 27a and 27c and discussed as follows.

#### 5.3.1.1 Autonomy

The need for autonomy, independence, financial security and flexible time to do things at their own pace came out very strongly as factors of motivation for entrepreneurship. This is illustrated by the following excerpts:

> … to be able to create wealth and then to be able to have the freedom of time to do whatever I want to do for myself
> **Male, Johannesburg, (Auditing & Accounts, P3)**

> ... its flexibility, entrepreneurs aim to manage their own time
> **Male, Johannesburg, (SMEs consultant, P1)**

> Like I told you, I was in Dubai before, there I was working for someone, Okay! If I work two years, three years, ten years, still be for someone [employee], okay! you know what I'm saying. Here, I am doing it for myself, okay! so that is the big difference in working for someone and having your own business
> **Male, Johannesburg, (ICT Services/Retailing, P2)**

#### 5.3.1.2 Problem solving

The desire to solve problems in different capacities given available opportunities, were highlighted as key motives for starting a venture and for seeking performance and success in enterprise. This includes providing economic solutions, employment generation and value creation. The following excerpts support these assertions:

> ... less energy in the country, so by us putting our company, it's actually a solution to those two main things, so we've looked at an

> opportunity or a problem and we have actually nailed it in and we are working from there
> **Male, Cape Town, (Business Solution, P12)**

> ... I ventured into the business because I was looking for something that could add value to people's lives
> **Female, Cape Town, (Therapist/Personal Services, P13)**

Employment provision came out strongly from some of the participants. They were motivated to venture to be part of solutions to the unemployment problem. Therefore "solving other people's problems" was a key motivator for the pursuit of an entrepreneurial career path. The following excerpts illustrate this submission:

> ... providing employments to people I classify as literate enough...
> **Male, Cape Town, (Beauty products/services, P9)**

> … It's normal for a successful business to grow, so you can say you are helping. I started employing one person, then two people, five people, seven, went back to 5, 8 went back to 4 until we are 10.
> **Male, Cape Town, (SME Consultant, P7)**

> … so, what motivates me is, actually seeing that with the opportunity that I have, I can also help someone else to have the same opportunity, if you know what I mean.
> **Male, Cape Town, (Business Solution, P12)**

#### 5.3.1.3 The push factors

Reasons such as 'push' or 'pull' can motivate entrepreneurs to start businesses according to the extant literature. The network view in Figure 27c shows the narration of a female 'necessity' entrepreneur that was 'pushed' into the catering business due to job loss. She had previously worked in a bank for ten years. It is evident in the network view presented that her retrenchment from a banking job motivated her to start a business as a means of earning a living (the push-factor). Although, she had no family business experience, her educational background as a university graduate, previous work experience as a banker and research skills laid the foundation for the knowledge and skills applied in the new venture. This suggests that enterprise performance is feasible regardless of the founding circumstances. In addition, the entrepreneur revealed that, family support was both a source of motivation and a success factor, as she

expressed her satisfaction and self-fulfilment through positive customer feedback she received from time to time. However, insufficient capital was a limiting factor, while the regulatory environment was perceived as not negatively impacting on her business.

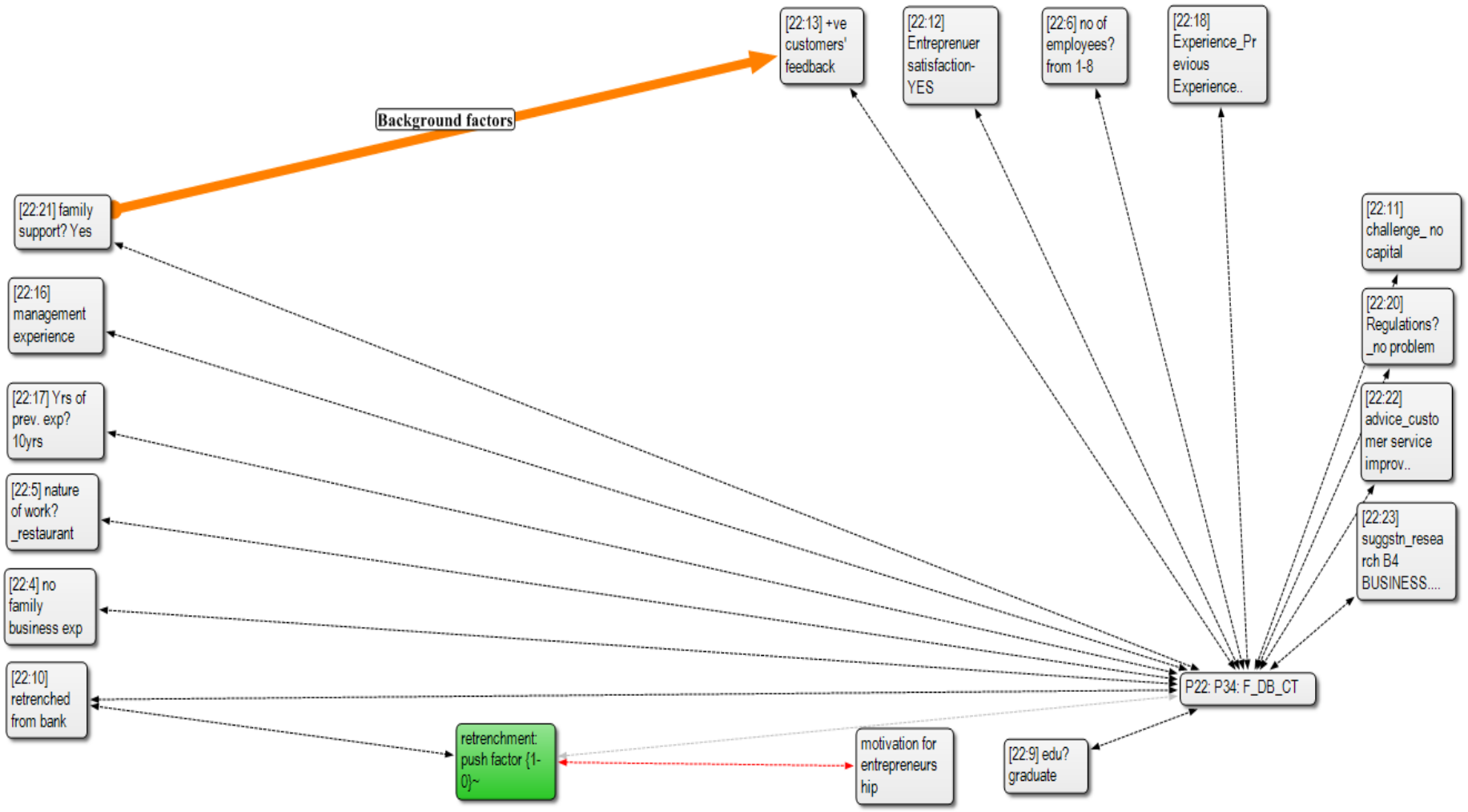



**Figure 27c: Narrative description of the influence of a respondent's motivation (push factor)**

#### 5.3.1.4 Intrinsic Motivation

Self-actualisation, personal fulfilment and a higher level of goal pursuits could be motivating according to the findings. What motivated some entrepreneurs were beyond the mere pursuit of economic gains of founding a business, business development and profitability; rather, the need to leave a legacy, the need to have a life-time achievement, the need for self-fulfilment that may not be driven by money and personal gain were highlighted as important motivations for enterprise and success. This finding is aptly illustrated in the interview excerpt below and in Figure 27a.

> I want to impact the industry, I want to do something that has never been done before, I think if I am being able to do something like that on that scale… it would be a life time achievement something that will allow me to leave a legacy on this earth.
> **Male, Cape Town, (Health sector training, P11)**

### 5.3.2 Psychological Factors

Having vision, early achievement, innate talent, learning opportunities (practical skills acquired while running the business), passion/egoistic passion, and self-esteem were identified as important psychological factors in motivation. The results are presented in Figure 27a and in the following sections.

#### 5.3.2.1 Vision

Having a broad vision tends to ignite passion and the determination to succeed, regardless of the present size of the business and condition of the entrepreneurs. Having a vision was a critical motivating factor to achieve a higher business goal according to the findings. A relevant interview excerpt is illustrated below and in Figure 27a.

> The thing that motivates me if you understand me from the beginning, I am going somewhere… it is the cheapest business that I could find, so I can get more money to invest in bigger things...
> **Male, Johannesburg (Retail, P10)**

#### 5.3.2.2 Initial achievement and opportunity

The qualitative evidence also showed that enterprise performance can be influenced by opportunity, business success and achievements. Previous achievements were identified as motivating factors that engender current and future performance. The earlier the entrepreneurs record success in the enterprise development process, coupled with the availability of opportunities, the higher the likelihood that it would boost their confidence level and enhance the drive to pursue higher performance. The following interview excerpts support this position:

> … The fact that we've achieved a great deal in a short amount of time has really helped in motivating me. In fact, that there is still a lot more to go and [pause]... the ability to see that there is a lot of opportunity, even though a lot of hard work is ahead of us, there is a lot of opportunity to succeed within the industry…
> **Male, Cape Town, (Health sector training, P11)**

> … if you can surpass the turnover from the past year, the following year that does motivate you when it comes to performance because you know that you are heading in the right direction…
> **Female, Johannesburg, (Construction, P35)**

The findings indicate that entrepreneurs who achieve a great deal of success early in business, combined with perceived opportunities, are more likely to be motivated to pursue higher enterprise performance.

#### 5.3.2.3 Innate talent

The results further alluded to the influence of God-given talents or potential as motivating factors for business and success. Earlier recognition of innate talents could provide the needed impetus to start and run a successful business. This submission is aptly captured in this excerpt:

> … I think what motivates me is, since I have been in school, in secondary, I realised that, the thing that God gave to me, that I am a businessman, because each time I sell I can say that this is something that I enjoy compare to other things…
> **Male, Durban, (Construction, P19)**

#### 5.3.2.4 Practical skills

The motivation to wake up daily and pursue ones' dream could be driven by *the learning opportunities* it provides. This was referred to as *'practical skills'* that would be readily acquired while running a business. Importantly, the opportunity to acquire and utilise entrepreneurial skills on a day-to-day basis is also driven by passion. This is a crucial, but complementary psychological factor of motivation identified in this study. The following interview excerpt captures this view:

> … I don't really need to listen to someone telling me, 'wake up'. So, tell yourself you are good now; I can learn practical skills that I can employ day to day, the passion is there, I can't wait to wake up…
> **Male, Cape Town, (SME Consultant, P7)**

#### 5.3.2.5 Passion/egoistic passion

The qualitative evidence showed passion for business as one of the major motivating factors that influenced enterprise performance. The participants expressed passion as *having a sustained interest in the chosen business venture, self-motivation and self-fulfilment*. The following excerpts corroborate this position:

> … I'm passionate about the human body, am passionate about healing people, am passionate about adding value to peoples' lives…
> **Female, Cape Town, (Therapist/Personal Services, P13)**

> … it is something that I am so passionate about, I love doing and the biggest thing is you enjoy what you are doing…earning the money and you are not just restricted by anybody…
> **Female, Durban, (Marketing Solution, P15)**

> … if you do not follow what your interest and passion is, you are not getting anywhere...
> **Male, Cape Town, (Computer/Community work, P18)**

The passion for business should not be driven by money, as this may not be sustainable or enhance enterprise performance in the long term. Therefore, the desire for making money should not be the primary interest that motivates the business owner; rather, money should be viewed as

a reward for doing what you love doing as a business owner. Impliedly, what makes an entrepreneur wakes up daily and go to work is described as passion. This is expressed in the following interview excerpts:

> … I'm very happy because I take pleasure in it. There is something about business. If you are doing something for the sake of profit, it doesn't really work, - but if you have been in the business based on the fact that you love it, like working in an office, maybe in a bank, if you wake up every morning and you don't feel like going, there is no way you can be successful there, because you don't have joy in what you do, but when you believe in what you do, it's a very, very big step. When you grow your business. I love what I do, so I'm fulfilled…
> **Male, Durban, (Dry cleaning, P33)**

> … Now you have people that have no skills in the past, but they have interest in doing it [business] and they have done really well. Why? This is because if you take money out of the picture, they will still be doing it…
> **Male, Cape Town, (Computer/Community work, P18)**

From the above excerpts, it can be concluded that, passion drives skills acquisition, skills utilisation and enterprise performance or success.

A corollary to passion is egoistic passion. It indicates a combination of passion and ego, which influences the motivation to pursue the set goal, set new standards of achievements, follows a different set of criteria for success and achievement and creates values driven by passion and perception of self-worth. These ideas are aptly captured in this excerpt:

> … the fact that I wanted to boost my own value…
> **Female, Durban, (Marketing solution, P15)**

#### 5.3.2.6 Self-esteem

Furthermore, it was also evident in the qualitative findings that while some entrepreneurs were motivated to work towards achieving higher performances in their businesses due to the perceived success in other peoples' businesses (relative performance), some other entrepreneurs

do so to prove their ability and boost their self-esteem. In this instance, the drive was neither social nor economic but psychological. The entrepreneurs would rather work hard to achieve their performance goal in order not to be seen as a failure, but as an achiever (a strong desire for achievement to preserve self-esteem). The excerpt below corroborates this submission:

> …I always want to prove to people that they are wrong...not those things...that I can't do it... I have to show them that I can do it…
> **Male, Johannesburg (Retail, P10)**

Self-esteem resonates well with egoistic passion as important psychological factor in motivation. They can collectively spur entrepreneurs into high levels of performance and achievement.

### 5.3.3 Socio-cultural factors

Family obligations, peer influence and peer reference were identified as comprising broad categories of social-cultural motivational factors. The desire to live up to family expectations can make entrepreneurs work hard to do well in business. Seeing others succeed as business owners is a motivating factor that can compel one to start and achieve success in business (peer influence). Peer reference became a motivating factor when participants considered the progress in the enterprise of other entrepreneurs as a positive challenge to ignite performance in their own enterprise too. Participants tended to pursue business growth, especially when they realised that other entrepreneurs before them had achieved success in their business endeavours. Such awareness, and consciousness was motivating. The recognition that society accords those who are in business was captured as contextual issues in the quantitative aspect of the study, but from the interviews, social-cultural factors are motivational factors for business founding and performance. These themes are presented in Figure 27b and discussed in the following sections.

#### 5.3.3.1 Family issues/support

Family ties, commitment and support were identified as motivating factors. The desire to fulfil family responsibilities and commitments often provide the necessary impetus that spurs entrepreneurs into business and performance. Also, having a supportive family can be a source of motivation. Therefore, focusing on the growth of the business and ensuring a positive outcome becomes a necessary condition to secure family wellbeing, future obligations and to justify their support. The following interview excerpts explain this position further:

> … my family is one of my motivations…
> **Male, Durban, (Education services, P20)**

> … The first thing is that I have two kids which I worry about their future and I [want to] boast a strong future for them. They are turning 11, the two boys. As a single mum, I do not rely on anybody, I have to ensure that their education is sorted out and also, they get a view of a bigger life, you know as they are growing up, so they have been my motivation…
> **Female, Durban, (Marketing solution, P15)**

#### 5.3.3.2 Peer influence

The motivation to venture into business could occur where it is possible to observe those who are already doing well in similar or other businesses. Having such motivation could be an important step towards business founding. However, the results also point to the fact that success is not instantaneous but a gradual process of commitment, leading to profitability and growth. The idea of motivation through peer influence is aptly captured as follows:

> … So basically, I was motivated by seeing some of my peers as well, who ventured into business and started their own thing. So, from there I said I want to do the same thing, so that was how I started business…our 1st year and 2nd year were a bit difficult for us, but after that we were able to keep it going. So, now we are able, to sustain and make profit out of the business…
> **Male, Durban, (Furniture production, P6)**

In addition, the idea about likely start-up challenges for new ventures is worth noting.

#### 5.3.3.3 Peer reference

Similar to the socio-cultural factor of peer *influence* was peer *reference*. Becoming a successful entrepreneur could be a source of motivation and performance. The qualitative evidence indicated that, an entrepreneur who had witnessed development and improvement in the business of their peers or someone close to them, are quite likely to be motivated to pursue and achieve high level performance. The entrepreneur is someone who sees such peer achievement and recognition as a form of motivation and encouragement rather than competition. Impliedly, the

underlining belief is that, if it is possible for one person to achieve in business, therefore a similar goal is worth pursuing by others. Such awareness of the possibility is quite motivating according to the following excerpts:

> … Well I think the other thing that also helps is to see the people that are next to you or close to you doing well; that means that people are in front. Checking from them, if they are doing well, I can be doing well also, but it's not because you are comparing yourself with them, but just to know that if they can do it, that means I can also do it…
> Male, **Durban, (Construction, P19)**

> What else motivates me is seeing other people who I can relate to, who have almost the same background, you know, who have made it you know, they have actually paved a way for us to follow sooth
> **Male, Johannesburg, (SMEs consultant, P1)**

### 5.3.4 Economic factors

The sub-themes that emerged and were categorised as economic factors of motivation include risk-taking, enterprise success, wealth creation and contribution to the productive capacity of the economy. These themes align with the depth-psychological motivational factors examined in the questionnaire such as risk-taking propensity, need for achievement and entrepreneurial self-efficacy aimed at enterprise performance. Further illustrations are presented in Figure 26b and discussed in the following sections.

#### 5.3.4.1 Risk-taking

Success is hardly possible in business without taking some calculated risks given available opportunities. This relevant interview excerpt is illustrated below and in Figure 26b.

> Entrepreneurship… makes you take risk…
> **Female, Durban, (Marketing Solutions, P15)**

> … and in a business, you have to take risk in order to succeed...
> **Female, Durban, (Placement agency, P31)**

#### 5.3.4.2 Enterprise success

Enterprise success as a factor of motivation was viewed in terms of goal setting, achievement-orientation and pursuit of steady success. This motivational factor is complementary to the factors of wealth creation and economic growth discussed in the following interview excerpt and illustrated in Figure 27b.

> There has been growth [pause] and ummm, you know, once you start doing it and you see that it is doable, you want to do more and more and so you know, for me, it's infinity. There won't be a point where I'll say, 'I am fine now, I want to stop'. It's a point of infinity
> **Male Johannesburg, (SMEs consultant, P1)**

#### 5.3.4.3 Wealth creation

The desire to create wealth is a motivating factor. The need to make money that is driven by a higher priority of what money could be further utilised for in the business, beyond just meeting personal or family obligations. Wealth creation is driven by making money to achieve profitability, re-investment, business growth and stakeholders' satisfaction (sharing of profits and economic prosperity). The interview excerpt below captures the dynamic influence of wealth creation as a motivating factor:

> Well, there is a lot of things. But the primary things are obviously to make money, one goes into business to share profit and to grow your business. And when we talk about making money, it's not so much about what you draw from your business, but it's about using that money to grow and to nurture and to cultivate your business.
> **Male, Durban, (Retail, P22)**

#### 5.3.4.4 Economic growth

Some interviewed entrepreneurs were motivated beyond achieving personal and business goals, but also larger societal goals of job creation, contribution to GDP, and being part of solutions to myriad economic/social challenges in the society. This submission is illustrated in Figure 27b and in the following excerpt.

> … that is a big question, what we set to achieve is just to, I think if you look at it on a macro level, it is just to contribute to the economy
> **Male, Johannesburg, (Auditing & Accounts, P3)**

The summation of the emergent motivational themes and sub-themes as illustrated in Figures 27a and 27b, constitutes the motivation of entrepreneurs interviewed. These factors refer to individual personal satisfaction and self-fulfilment, relative performance in comparison with peers, financial performance/success and to address larger societal challenges as consequences of business development and performance.

### 5.4 Cognition and Enterprise Performance

Examining the relationship of cognitive factors and enterprise performance is a key objective in this study. However, cognitive factors were determined using the interview technique. This was followed by determining how these factors were linked to enterprise performance. In this section, four network diagrams are presented from Figures 28a to 28d, to illustrate cognitive factors in the three broad categories of Knowledge, Skills and Ability (KSA) earlier identified from the literature.

From the responses, knowledge includes basic knowledge, vicarious learning/knowledge, school/classroom knowledge, start-up knowledge, knowledge about finance, knowledge about networking, knowledge of regulatory compliance and continuous professional development (CPD)- (self-paced & professional training).

Also, the entrepreneurial skills identified are: technical skill, networking/social skill, problem-solving skill, marketing management skill, service delivery/customer retention skill, practical skill (business experience as a learning curve), time management skill, and innovation/new products development skill.

Lastly, abilities according to the findings include: domain competency, technical ability, networking capability, managerial competency/experience (applied knowledge and skills), adaptation ability, financial management capability and internal drive.

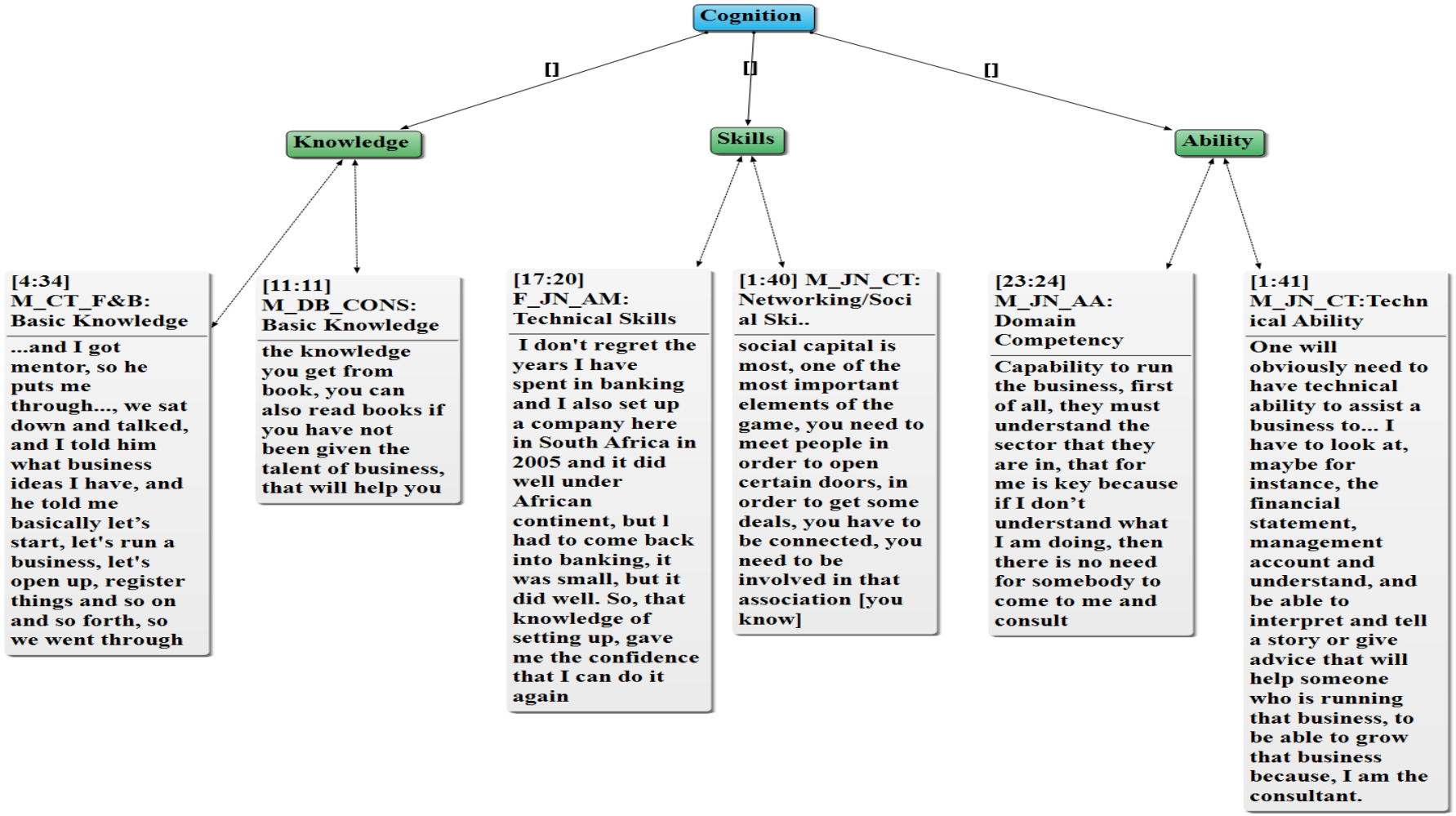



**Figure 28a: Network view relationship describing cognition of respondents: Knowledge, skill and ability- Part A**

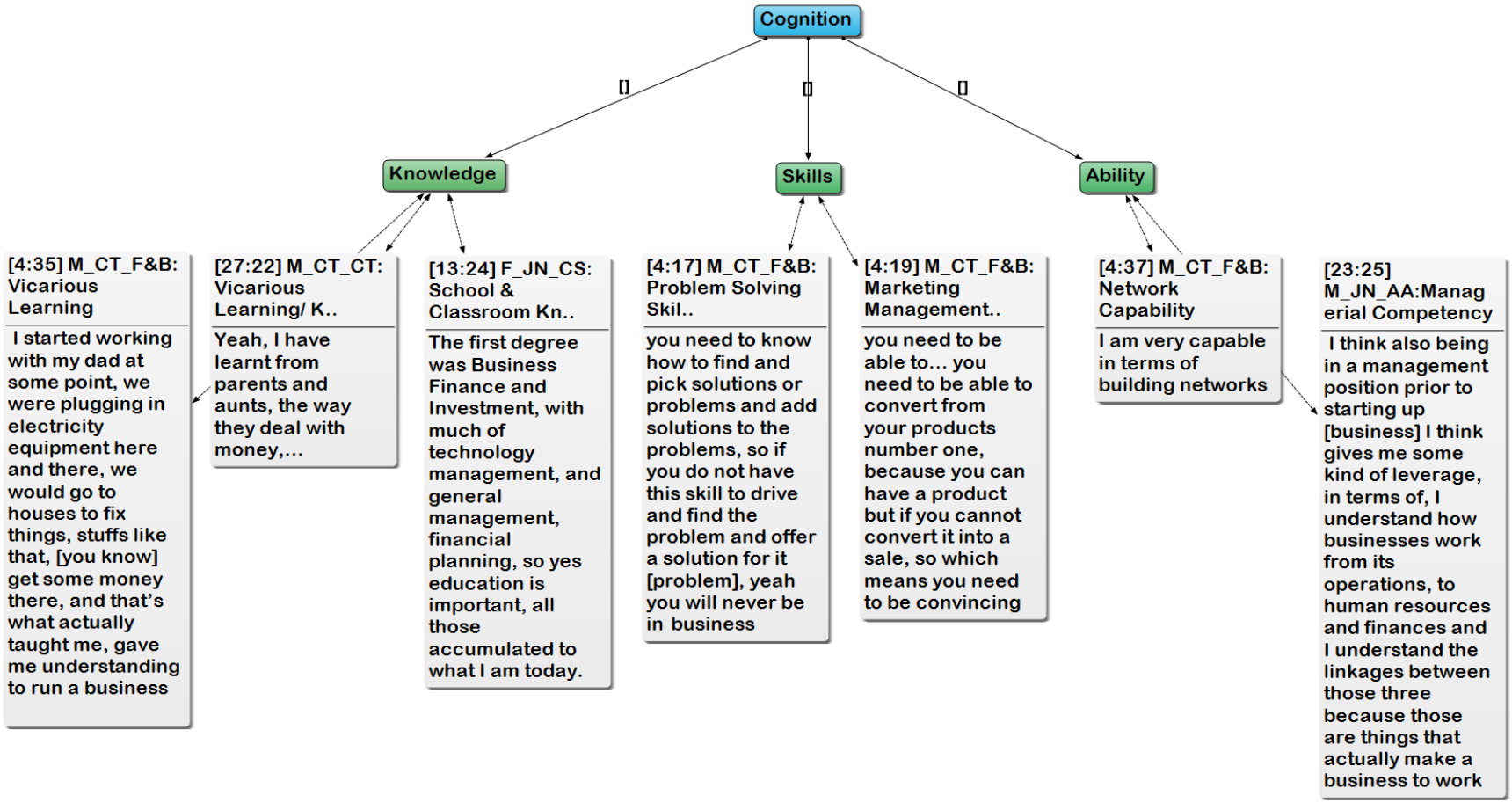



**Figure 28b: Network view relationship describing cognition of respondents: Knowledge, skill and ability- Part B**

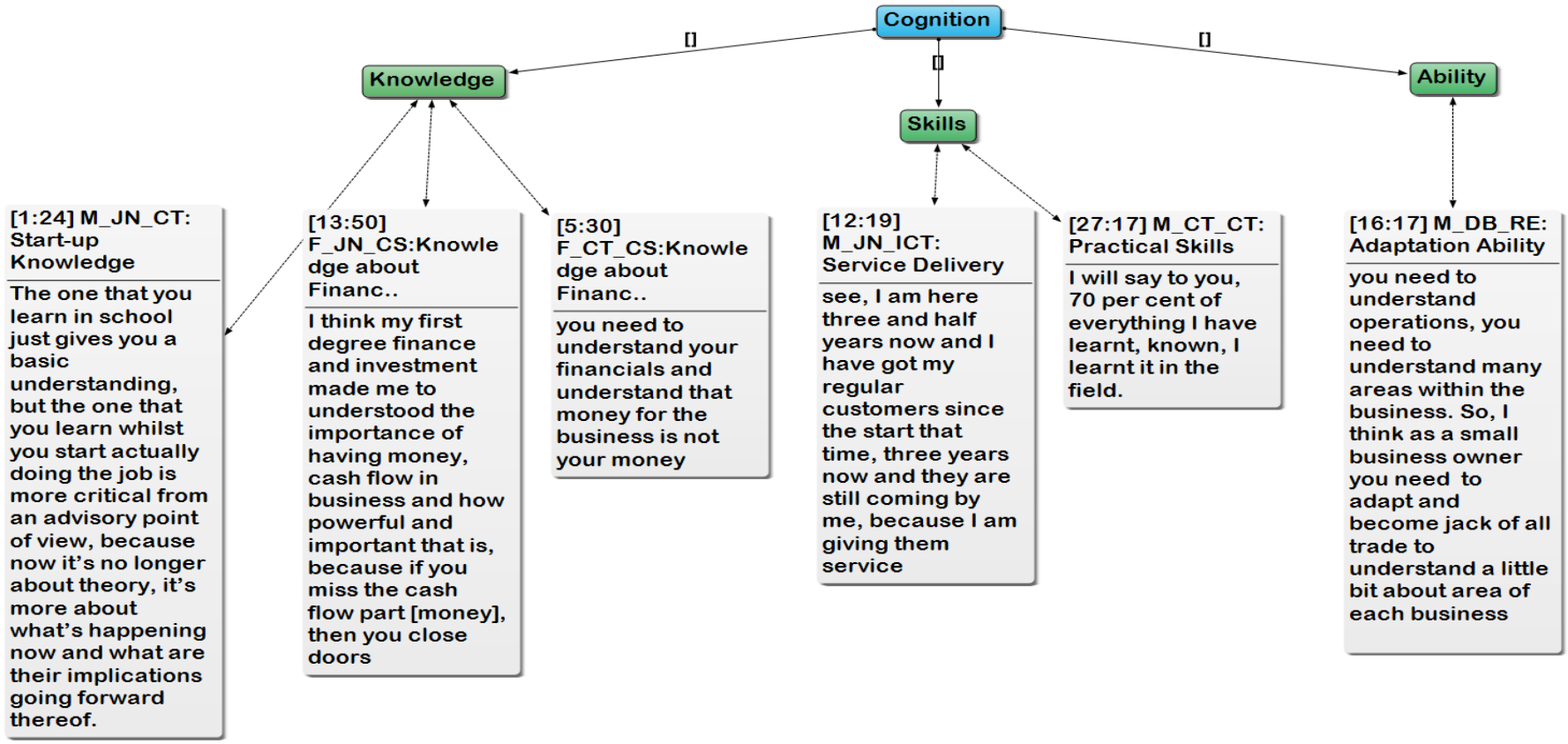



**Figure 28c: Network view relationship describing cognition of respondents: Knowledge, skill and ability- Part C**

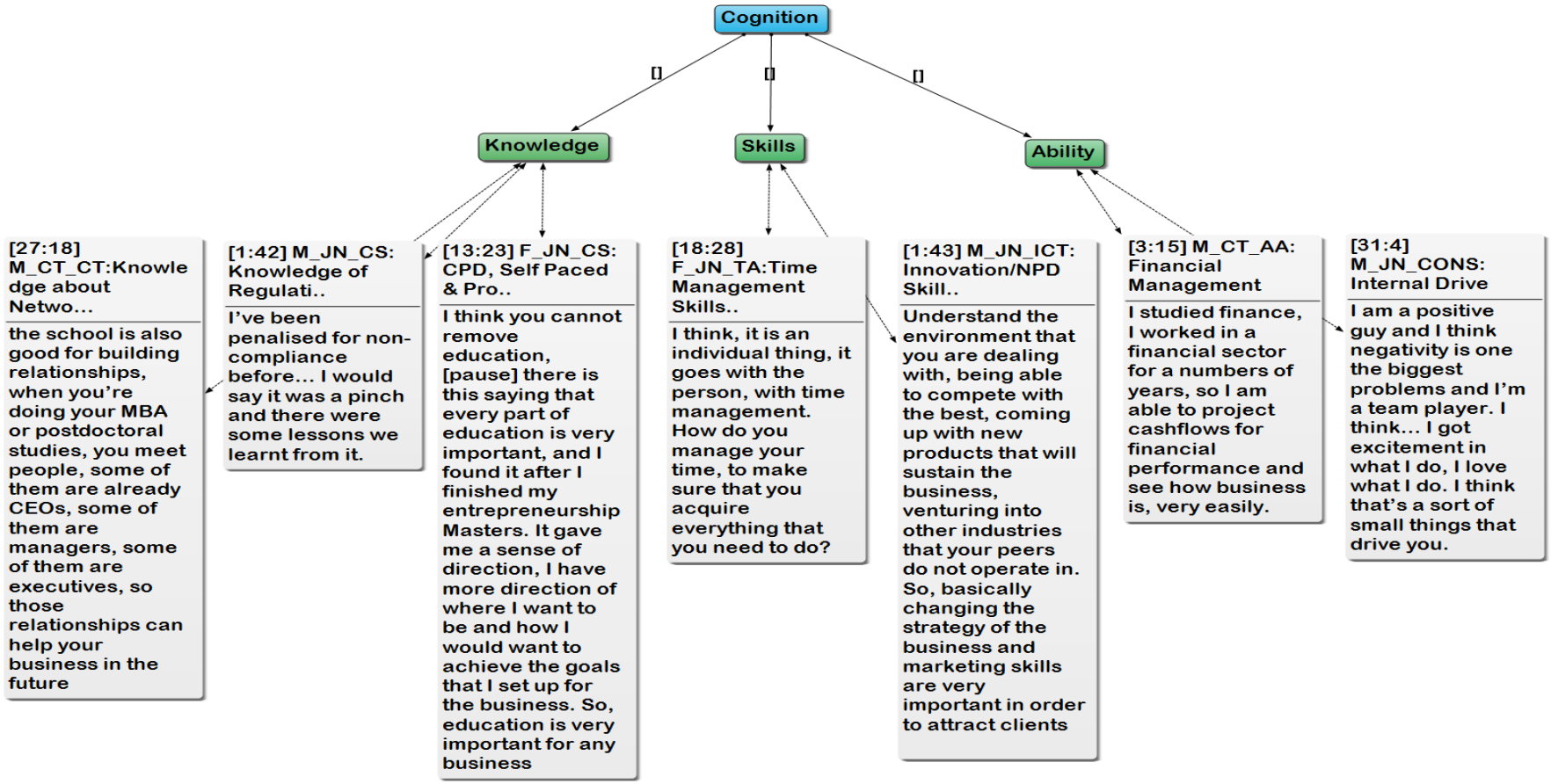



**Figure 28d: Network view relationship describing cognition of respondents: Knowledge, skill and ability- Part D**

(Gender): M-Male, F-Female; (Location): CT-Cape Town, DB-Durban, JN-Johannesburg;
(Nature of Business): CONS-construction, CE-children entertainment, CT-catering, CT-consultant, DC-dry Cleaning, F&B- finance & business, ICT (repairs, services/retailing), RE- retail, TA- travel agency, TR-training.

### 5.4.1 Knowledge

#### 5.4.1.1 Basic knowledge

The broad knowledge required, and which relates to relevant business ideas and an awareness of products and markets, is essential knowledge for the founding of a business. After start-up, knowledge about the 'purpose' of being in business is equally important. This knowledge is basic for all entrepreneurs. It is the knowledge that moves entrepreneurship from intention to action (behaviour). Even when the entrepreneur is lacking in other kinds of knowledge, basic knowledge of the 'purpose' for being in business is critical. During interactions with the participants, knowledge about purpose clearly manifested in relation to their motivation for founding their business and performance. Knowledge about the type of business, knowledge about business registration, location of the business, sources of raw materials and markets among others are basic requirements.

Another source of entrepreneurial learning is to acquire basic business ideas or knowledge of set-up processes through a mentor according to the excerpt below:

> ... and I got mentor, so he puts me through…, we sat down and talked, and I told him what business ideas I have, and he told me basically let's start, let's run a business, let's open up, register things and so on and so forth, so we went through
> **Male, Cape Town (Business Solution, P12)**

Another viewpoint expressed by some participants related to the knowledge that they gained through their network, specifically friends:

> Not necessarily from the family within, but from, from, from extended, from close friends, from conversations with people
> **Male, Johannesburg, (SMEs consultant, P1)**

Hence business ideas can be obtained through conversations with people, mentors and other information sources.

#### 5.4.1.2 Vicarious learning/knowledge

Vicarious learning is a kind of privileged or indirect learning prior to start-up and is learned outside of the entrepreneur's own business organisation. Closely observing people, parents, mentors and friends running their businesses could be an important knowledge source for entrepreneurs.

> ... I started working with my dad at some point, we were plugging in electricity equipment here and there, we would go to houses to fix things, stuff like that, [you know] get some money there, and that's what actually taught me, gave me understanding to run a business
> **Male, Cape Town (Business Solution, P12)**

> ... Yeah, I have learnt from parents and aunts, the way they deal with money, I am not from family of flashy people, so I don't like big things like cars, things like that, not my style
> **Male, Cape Town (SMEs consultant, P7)**

Nonetheless, some second generation business owners, despite having parents that have their own business, developed and harnessed their business acumen on their own without learning from their parents:

> … my mother, she is a business woman, she is still doing business and my father also is doing business... I have not learned anything [relating to business] from them
> **Male, Johannesburg (Business Services, P4)**

While this submission is valid, it cannot invalidate the fact that, certain business knowledge, ideas and awareness could have been learnt indirectly watching parents running their businesses.

#### 5.4.1.3 School/classroom knowledge

A common view among the participants was that educational training in a classroom setting serves as good foundational knowledge that can be built upon in an entrepreneurial career. Such training could compliment the knowledge needed to be acquired while running the business.

> ... You see whatever we are doing in life we need to have education background, it helps a lot even though you are selling pure water on the street or whatever you are selling, even you are doing car wash even though you are sweeping, or you are just a cleaner

**Male, Johannesburg (Business Services, P4)**

> I would say both [Education and experience]. Umm It's something that one has done during University and something that one does when you start doing the job [business] and you get to learn the more practical core, umm the more practical part of the job
> **Male, Johannesburg, (SMEs consultant, P1)**

Therefore, knowledge acquired through the education system, such as in technical and vocational schools, universities and other related learning centres are important sources of entrepreneurial knowledge.

#### 5.4.1.4 Start-up knowledge

This is close to vicarious learning, but it is the knowledge acquired by running one's own business, especially at start-up. This is the knowledge one of the participants referred to as *'get to learn the more practical core'*. According to some of the participants, the experience gained as a business owner while trying out different ideas and learning from mistakes was deemed important and laid the foundation for rich entrepreneurial experience.

> … when you start, you don't know how much you have in the reserve, but as business demands [pause] you always have to renovate yourself and try other things as well, so as you get more experience, the more confident you get, then it becomes easier over the years
> **Male, Durban, (Furniture production, P6)**

> The experience [of being an entrepreneur], you know, you learn a lot of things, the dynamics of the game, and, and sometimes you get your hands burnt, you know, in some of the things you are getting into, so it's quite a learning curve and it has developed me to be a better and a successful entrepreneur
> **Male, Johannesburg, (SMEs consultant, P1)**

In addition, a respondent, who was a business consultant, had a perception that entrepreneurial learning was not limited to knowledge acquired in educational institution, but also in course of running the business:

> … this is not something you can learn from school… but on day-to-day.
> **Male, Cape Town, (SME consultant, P7)**

#### 5.4.1.5 Knowledge about finance

Participants commented on the importance of having a cognitive understanding of financials to maintain a successful enterprise in this excerpt and in Figure 28c:

> ... I believe you need to have knowledge of accounts, you need to know your numbers.
> **Male, Cape Town, (Children entertainment, P5**

#### 5.4.1.6 Knowledge about Networking

Apart from having knowledge about how to network in business, networking itself is a knowledge repository according to a Durban- based male entrepreneur in this interview excerpt:

> … network with the people, go to the seminars, that is where you would be able to network with other people. They will tell you more in business and you also discover that maybe the person is doing something else, maybe I can also do it. I say it's good and then it can give you income, on that definitely you can do it. You need people that know more than you, that is why we are also saying that you must also network.
> **Male, Durban, (Construction, P19)**

In addition, the respondent viewed participation in seminars in two ways, a knowledge resource and networking avenue to get business ideas and opportunities that can be explored.

#### 5.4.1.7 Knowledge of regulatory compliance

The participants were aware of the importance of regulatory compliance in running a successful business. They perceived that, non-compliance with statutory requirements could hamper the progression of enterprises particularly at the start-up phase:

> … if you do not submit your tax, tax returns, you will not get tax clearance. Therefore, you cannot apply for any sort of thing, so the compliance issue is very important
> **Male, Johannesburg, (SMEs consultant, P1)**

Similarly, having the knowledge about the consequence of non-compliance with regulations is also important, because of its financial and legal implications:

> I've been penalised for non-compliance before… I would say it was a pinch and there were some lessons we learnt from it
> **Male, Johannesburg, (SMEs consultant, P1)**

#### 5.4.1.8 Continuous professional development (CPD)

The importance of professional training in different areas of business management was highlighted as an important source of cognition. Two areas were identified by the participants, being self-paced and getting professional training in key areas of need in the business according to the interview excerpts below.

> …I think you just only [need to] study about all the new technology and everything, right, every second day, there is a new thing in the market,
> **Male, Johannesburg (ICT Services/Retailing, P2)**

> Am still learning, I am attending one-week workshop with an international Human Resources expert, so talking about the various dynamics that are involved in dealing with your human resources.
> **Male, Cape Town, (SME consultant, P7)**

The relevance of CPD cannot be overemphasised as it helps to close any gaps in knowledge as the entrepreneurs aspire for growth in a constantly changing business environment. According to the responses, entrepreneurs can do this by constantly updating his/her business knowledge personally, by reading books, searching various information sources in the public domain and in cyberspace. The second option is to attend general or specific training in certain areas of need in the business.

> You need to make sure that your staff are well trained and understand your values so that they are more able to help you live up to them at most well
> **Female, Cape Town, (Therapist/Personal Services, P13)**

Continuous training was also advocated for the staff working in an enterprise as part of CPD. The training provided for staff will aid their capability to understand and support the vision and

the core values of the enterprise and aid its performance. Training is an important source of information and knowledge.

In sum, according to the responses received during the interviews, entrepreneurs viewed knowledge broadly in two categories: knowledge learned prior to founding the business, and knowledge for the business development/process. These categories include the medium of acquisition and development.

### 5.4.2 Skills

#### 5.4.2.1 Technical skills (previous work experience)

The responses indicate that having technical skills is important for entrepreneurs to run successful businesses. Technical skills must be specific to the core areas of business needs, such as finance, sales, human resources (HR) management among others. The narratives below indicate the link between technical skills and running successful enterprises.

> I have worked in two listed companies here in South Africa [pause] I resigned at the point when I was Head of Finance and HR and so, I then decided to pursue entrepreneurship.
> **Male, Johannesburg (Auditing & Accounts, P3)**

> I have worked, ummm, yes before, for a retail company for about 5 years, so I got a lot of sales knowledge from them, so yeah.
> **Male, Cape Town (Business Solution, P12)**

The entrepreneur in this instance claimed that previous work experience provides the technical skills that are readily applicable in the current business.

#### 5.4.2.2 Networking/Social skill

Networking/social skills are deemed important in the entrepreneurial process with a view to attracting new business opportunities, especially through business and professional associations.

> … social capital is most, one of the most important elements of the game, you need to meet people in order to open certain doors, in order to get some deals, you have to be connected, you need to be involved in that association [you know].

**Male, Johannesburg, (SMEs consultant, P1)**

> Yes, I belong to; I belong to a [Name of Association] that helps me [you know] get opportunities
> **Male, Johannesburg, (SMEs consultant, P1)**

> I don't think you can remove networking from the others, it's part of performance, if you don't get the referrals, then you don't get order businesses from others, then that's a problem, then you are not performing because you are lacking socially in some way
> **Female, Johannesburg (Construction, P35)**

Having good social skills (networking) is crucial for good business performance.

#### 5.4.2.3 Problem solving skill

Being able to solve new and emerging problems was identified as a relevant skill for entrepreneurs. It is expected that business activities are constantly evolving, and different issues will come up while running the business that require immediate solutions. Also, some hidden problems may need to be identified and solutions provided before they impact negatively on the performance of the business. This submission is illustrated in Figure 28c and summarised in the interview excerpt below:

> … if you do not have this skill to drive and find the problem and offer a solution for it [problem], yeah you will never be in business.
> **Male, Cape Town (Business Solution, P12)**

#### 5.4.2.4 Marketing management skill

All the participants recognised the need for the business to be able to sell the products or services on offer and to be able to manage relationships beyond the first sales or patronage as important cognitive skills to possess by entrepreneurs. In addition, it was suggested from the following excerpt that taking courses in Marketing/Relationship Management could provide the needed knowledge base that can be built upon in real business situations.

> You know that course I studied is about Marketing/Relationship Management. How you relate with your customers or clients, and you see it really helped me you know
> **Male, Johannesburg (Business Services, P4)**

In addition, the importance of marketing planning cannot be over-emphasised. From the excerpt below, the skill to understand seasonal variations was emphasised and the need to be constantly engaged in the markets dynamics. Understanding seasonal market variations is an important skill to possess, as this can impact production, sales and revenue generation. A male respondent in Johannesburg corroborated this position.

> The relation that you keep with your customers makes you sell more... I sell more, far more, when it is summer and in winter you don't really sell. It is cold, people are avoiding cold.
> **Male, Johannesburg, (Retail & Wholesale, P10)**

Beyond the knowledge about marketing planning, understanding the importance of *market expansion* was emphasised to achieve business results leading to enterprise performance by one of the respondents:

> … that person [entrepreneur] must understand marketing, to say how can I leverage those relationships to get something because it is of no point knowing a Minister if I can't benefit from that relationship…that person must be able to sell what he or she is doing either to himself or the people around him
> **Male, Johannesburg, (Auditing & Accounts, P3)**

The consequence of building relationships is to sell and expand. Selling and customer retention require complementary skill sets. The former is marketing, and the latter is customer service/retention. Therefore, customer services focus on the person (customers/clients), while marketing is about the products/services. The view regarding complementary skill sets is further illustrated in Figure 28b with the marketing management skill to 'convert' products to sales.

#### 5.4.2.5 Service delivery/customer retention skill

Service delivery is the skill to deliver what your service charter promises to deliver to your customers or clients (or even better) in a consistent manner. Delivering quality service should be done with the mindset to retain the customers/clients, as an indication of satisfaction derived from the products or services. Furthermore, the direct effect of good customer services will reflect on the financial development of the firm according to this interview excerpt:

> By keeping the relationship with my customers, I have been able to now start getting stronger financially.
> **Female, Durban, (Marketing Solutions, P15)**

Overall, customer service skill is an important skill for business owners to possess. It is about providing genuine and acceptable service geared towards excellence, satisfaction, repeat patronage and brand loyalty.

> You know what I think is important in a business like this, is taking care of your clients. I know business is all about making profits and all that. But I now think the most important thing is taking care of your clients, putting yourself in the client's shoe and giving good service, you know.
> **Female, Durban, (Community/personal services, P17)**

> Ensuring that whatever you offer is in line with what your customer expects and it's always the same, it can be better, but it cannot go down.
> **Female, Cape Town (Therapist/Personal Services, P13)**

It needs to be emphasised that service delivery/and customer retention skill is largely driven by quality service (zero rejects and efficient after sales services where relevant) that gives satisfaction to the customers/clients as distinct from selling. This ensures repeat patronage.

#### 5.4.2.6 Practical skill (business experience as a learning curve)

One of the participants, an international business owner, with over two decades of enterpreneurial experience, gave a practical example of the importance of enterpreneurial experience by highlighting his previous failures as essential experiences adding to the learning curve to acquire the practical skills that provided the foundations, learning and skills he has applied in his current business:

> ... I lost my business at the age of 19 and I have lost my business at the age of 24 and then you know but I gained lots of experience through going through that...I will tell you I will never be in that position again
> **Male, Cape Town, (Children entertainment, P5)**

This was again resonated in some of the interviews, where the viewpoint was emphasised that educational training helps an individual to be a good employee, but succeeding as a business owner requires some hands-on experience:

> … you learn whatever you want in the universities and high schools, but it teaches you how to be a good employee, but when you become an employer, you realise that education, it helps you come to a random sense, but it doesn't help you to deal with where you are taking in your vision... I will say to you, 70 per cent of everything I have learnt, known, I learnt it in the field
> **Female, Durban, (Marketing Solutions, P15)**

> ... so, it's quite a learning curve and it has developed me into being a better and a successful entrepreneur
> **Male, Johannesburg, (SMEs consultant, P1)**

#### 5.4.2.7 Time management skill

Small business owners constantly have to cope with multiple tasks. The careful allocation of time to various tasks with a view to achieving good results will depend on a business owner's time management skills. Managing time is an important practical skill for entrepreneurs to achieve their personal goals and their long-term vision for their enterprise. This view is aptly illustrated in Figure 28d.

> How do you manage your time, to make sure that you acquire everything that you need to do?
> **Female, Johannesburg, (Travel Agency, P30)**

#### 5.4.2.8 Innovation/new products development skill

The significance of innovation and new product development with a view to maintaining a competitive edge based on emerging needs was highlighted by some of the participants.

> Understand the environment that you are dealing with, being able to compete with the best, coming up with new products that will sustain the business, venturing into other industries that your peers do not operate in. So, basically changing the strategy of the business and marketing skills are very important in order to attract clients
> **Male, Johannesburg, (SMEs consultant, P1)**

Having innovative skill was deemed important by some of the interviewees based on the dynamic nature of the business environment:

> … if they [entrepreneurs] understand that, they will be able to actually react because these days, in as much as you've got the plan, but we have to always react to what is happening in the environment
> **Male, Johannesburg, (Auditing & Accounts, P3)**

Therefore, continuous personal and professional development (knowledge), guided by a well-articulated action plan (skills) form the bedrock of the enterpreneur's ability to innovate, adapt and compete favourably in a dynamic business environment.

### 5.4.3 Ability

#### 5.4.3.1 Domain competency

The domain competency requires the application of all the skills earlier reported. It connotes higher order competency that can be applied in all manner of situations in the business. It is not *trial* but *competency*, that is most likely to work repeatedly. It is driven by passion, knowledge, skill and experience. This is further highlighted in the network diagram in Figure 28a.

> Capability to run the business, first of all.
> **Male, Johannesburg, (Auditing & Accounts, P3)**

This was deemed as one of the requisite abilities to run a successful enterprise. Domain competency as a key ability will lead to good service delivery, customer retention and a competitive edge within the field of practice: The following interview excerpts support these claims:

> ... I am very knowledgeable in my field so all my customers that have come to me since I started my business are still with me
> **Female, Durban, (Marketing Solutions, P15)**

> You know if you are good in your job, okay, your customer will be satisfied… I have got my regular customers since the start that time, three years now and they are still coming by me, why? Because I am giving them service
> **Male, Johannesburg (ICT Services/Retailing, P2)**

Being 'knowledgeable' in a field is regarded as knowledge. However, being *'good in your job'* or *being ahead of competition* (domain competency) is a demonstration of ability that fosters not only the trust of the customers/clients, but also contributes towards the growth of the enterprise through referrals and in the long term, fosters the sustainability of an enterprise.

> … but I think we have also tried to create a name, because, especially the education and consulting industries… people just don't come, except in terms of referral, so in terms of that, in the area where we are, we have created a name compared to our competitors, I think we have gained some ground
> **Male, Johannesburg, (Auditing & Accounts, P3)**

#### 5.4.3.2 Technical ability

Technical ability came out strongly during the interviews. The interview excerpt below from an Audit and Accounts Consultant highlights the importance of technical ability as a key component of entrepreneurial cognition. It is a demonstration of competence that can assist the entrepreneur to reach a higher level of achievement or growth. The summary is stated below, with further details in Figure 28a.

> One will obviously need to have technical ability to assist a business…
> **Male, Johannesburg, (Auditing & Accounts, P3)**

> If I am having this problem but someone else is also having the problem, so if I can tackle this problem, then I can offer that solution to someone else as well, so that's what keeps us going, the more problems there are, the more opportunities there are for us to actually grow.
> **Male, Cape Town (Business Solution, P12)**

Technical ability is thus viewed as the ability to provide solutions to new and emerging problems, being innovative/creative and being able to convert products or services into sales. It takes technical ability to produce and sell technically superior products and services. The interviews excerpt in Figure 28a further illustrates this submission.

#### 5.4.3.3 Networking capability

Networking capability is an important ability that every business owner needs to possess. This submission is corroborated by the interview excerpts below.

> I am very capable in terms of building networks
> **Male, Cape Town (Business Solution, P12)**

> I mean, slowly but surely, connecting, definitely, partnering with other people [pause]. But at the same time putting them down on paper [pause], putting them down on paper, making sure that they are attainable and measurable and ummm [pause] yeah, revisiting them every 3 months.
> **Male, Cape Town (Business Solution, P12)**

The interview excerpts indicate that capability manifests in terms of the assurance and certainty of the results. Moreover, social capital can be transformed beyond patronage into partnership with a clear expectation of results. This is the essence of networking capability based on the responses provided by another entrepreneur.

> ... where I will meet other business people and I will see what they do, how they think, how they operate. Are there things I can do better than them? are they doing something better than me that I can maybe implement? Things like that.
> **Male, Cape Town, (SME consultant, P7)**

The capability to leverage one's network with a view to doing better than one's peers and competitors can be a critical ability.

Another commonplace perception among the participants was the importance of networking to enterprise performance and growth:

> … the first one is relationships [networking] because people don't give business to people they don't know, so I think that is key, you need to know how to have relationships and how to manage relationships
> **Male, Johannesburg (Auditing & Accounts, P3)**

Having a relationship and managing it requires different skill sets, while the former can be an important skill, the latter requires a subtle ability to harness it successfully for the benefit of the business. This position was emphasised further by the same respondent in this interview excerpt:

> … to say how can I leverage those relationships to get something, because it is of no point knowing a Minister if I can't benefit from that relationship…
> **Male, Johannesburg (Auditing & Accounts, P3)**

In other words, unless the network benefits the business, it will amount to nothing. It requires the ability to harness, manage and convert relationships into business opportunities and consistent patronage.

#### 5.4.3.4 Managerial competency/experience (Applied knowledge and skills)

Experience can be categorised into: previous experience as an employee, experience working for or with parents (including mentors, friends and relations), experience in managerial positions, and experience as an entrepreneur. - Some of the participants related their cognitive competence as entrepreneurs to their previous experience working in management positions. It was noted that previous managerial experience conferred differential ability in the current business.

> … I think also being in a management position prior to starting up [business] I think gives me some kind of leverage, in terms of, I understand how businesses work from its operations, to human resources and finances and I understand the linkages between those three because those are things that actually make a business to work…
> **Male, Johannesburg (Auditing & Accounts, P3)**

Leveraging previously acquired knowledge and skills in managerial positions and being able to apply them in business is an important ability. This is the key ability to 'connect the dots' and run successful enterprises. From the responses, previous knowledge and skills are beneficial only if they can be applied in actual business circumstances with good results.

In addition, applied knowledge and skills may include managerial ability based on experience. The following interview excerpts illustrate this submission. It was perceived that poor management could result in the collapse of an enterprise:

> It must be critical from the management point of view, managing operations, managing people [you know] If you get it wrong there, a lot can go wrong, and the business can collapse within two years
> **Male, Johannesburg, (SMEs consultant, P1)**

Another viewpoint that closely relates to management was that of people management right from the talent acquisition stage, to job scheduling, through to the management and operational phases:

> Employ the people with dedicated tasks, set up a management team that will oversee performance and ensure that there is quality that is been produced
> **Female, Durban, (Marketing Solutions, P15)**

> Well, umm when it comes to doing pay slips for my employees, when it comes to [pause], I mean just purely managing them, I mean banking is such a very controlled environment so you learn to do things as, you know working in the bank, you have to do things by the book, it taught me a lot, you know, when it comes to getting people to focus on what they have to do every single day
> **Female, Durban, (Catering, P34)**

The point being emphasised is that, managerial competency/experience is a *ready ability* applicable in *real business situations* is different from *'learning by doing'* either by a novice/in-experienced entrepreneurs or business owners who have never held management positions before.

#### 5.4.3.5 Adaptation ability

Being able to identify problems and develop solutions that can resolve issues quicker are important skills and making a success of such efforts connotes ability. Adaptation ability is therefore not just about providing solutions but solutions that are specific, quicker, result-oriented and above all innovative. This is illustrated in the excerpt below and in Figure 27b.

> Your achieving business goals as an entrepreneur is really about hard work and great perseverance [pause], so you are never going to have a smooth sailing, nothing is going to work out 100 per cent of their time, but if you are able to identify problems quickly, quickly add solution to them quicker, then you would be able to succeed
> **Male, Cape Town, (Health sector training, P11)**

Adaptation ability also works well if an entrepreneur can adapt previous knowledge and skills in a new domain. There is an example of an entrepreneur who acquired managerial experience in the construction industry through his biological father, but he is currently doing well as an entrepreneur in the Children's Entertainment business.

> … my father then was doing building environment but as a business owner right, but I learnt most of my skills from the construction industry
> **Male, Cape Town, (Children entertainment, P5)**

#### 5.4.3.6 Financial Management capability

There was a clear consensus among the participants regarding the importance of financial management, though differently viewed as either knowledge and skills acquired from school or administratively. However, in the context of this study, financial management ability is about the differential advantage it offers the business. Entrepreneurs' ability to utilise both their knowledge and skills in finance to help the business would be regarded as essential abilities. The following interview excerpts corroborate this submission:

> … they say figures drive a business because everything has to be translated into Rands and Cents…so for that, I think I've got a bit of advantage than somebody that does not have a financial background
> **Male, Johannesburg (Auditing & Accounts, P3)**

Hence, a common view point among the participants was that, enterprise performance and financial management are closely linked as it helps with cost reduction, increased mark up, and quality delivery, among others:

> You also need to know administratively, to know whether money is going out, whether money is spent, is there money coming in? Can you get a better rate somewhere without compromising quality? You know, what's your mark up?
> **Male, Cape Town, (SME consultant, P7)**

> People can have relationships, can have marketing skills but if they don't understand [financial management], because there is always a difference between cash flow and sales, so people must understand the two, if they can't differentiate, then they don't have that financial management skill

**Male, Johannesburg (Auditing & Accounts, P3)**

The ability to differentiate between financial and sales figures and manage the entire business' finances was identified as crucial and most beneficial to the business.

#### 5.4.3.7 Internal drive

The ability to grow an enterprise is a product of the combination of passion, skill and vision. A strong internal drive is essential to harness the relevant knowledge and skills to achieve the vision of the enterprise. A male respondent in Durban stated the following:

> I'm very happy because I take pleasure in it. There is something about business. If you are doing something for the sake of profit, it doesn't really work, - but if you have been in the business based on the fact that you love it, like working in an office, maybe in a bank, if you wake up every morning and you don't feel like going, there is no way you can be successful there, because you don't have joy in what you do, but when you believe what you do, it's a very, very big step. When you grow your business. I love what I do, so I am fulfilled…
>
> **Male, Durban, (Dry cleaning, P33)**

Impliedly, internal drive is an important ability to take the business from start-up to the growth stage. Internal drive is a cognitive ability that harnesses emotional, motivational and cognitive capabilities to drive the vision of an enterprise from start to fruition. The interview excerpt below supports this assertion:

> … it's the individual, you need to be someone who will be able to push through any situation, so it's more of personality and your attitude towards everything
>
> **Male, Cape Town (Business Solution, P12)**

> … it comes from the individual, from yourself, if you have drive, you can do it, yeah.
>
> **Male, Durban, (Education services, P20)**

### 5.5 The South African Context and SMMEs

The South African contexts that influence the performances of SMMEs are presented and classified into three main thematic areas which are; socio-cultural, political and economic contexts.

The emergent socio-cultural themes include race/gender, language, cultural barrier, inter-racial marriage, family support, security and crime. Furthermore, issues such as labour and unemployment, non-tariff trade barriers/xenophobia, poor government support/patronage (the government's claim of the availability of finance is perceived as a mere propaganda), political mistrust and corruption emerged strongly as political contextual issues. Lastly, the emergent themes of the economic context include; finance for business, existence of opportunities, enterprise support, value chain development/economic focus, recession/inflation, exchange rates, taxes and regulatory compliance, running costs, tariffs and utility bills, infrastructure, skilled labour and location. The identified contextual issues might be perceived as either negatively or positively impacting, depending on an individuals' operational experience. The network diagrams in Figures 29a, 29b and 29c illustrate the themes and sub-themes while the details of the research findings are discussed in the following sections.

The interviews brought out many social-cultural, political and economic issues that were not initially considered in the study design but contextually impacted on business performance.

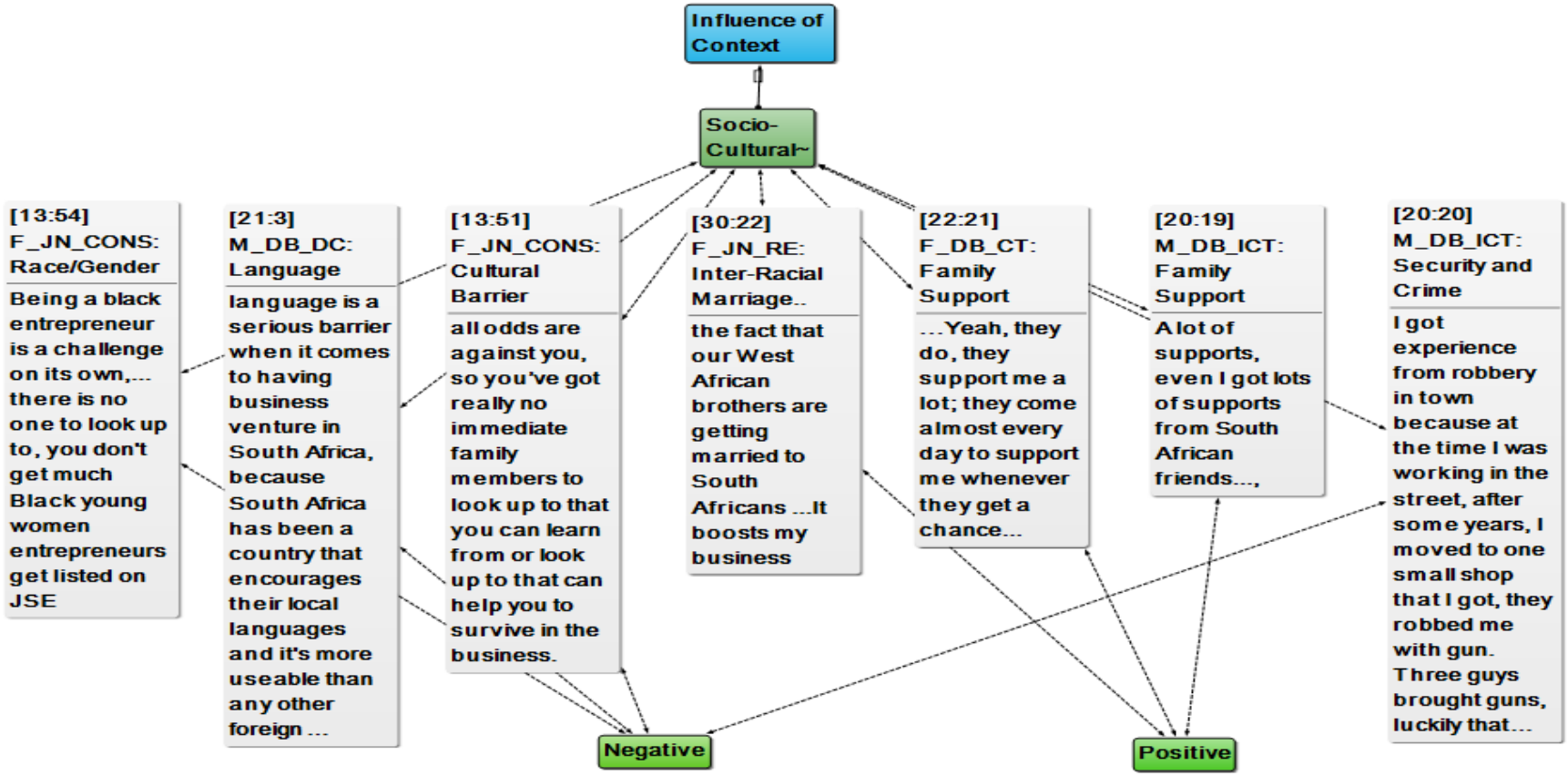



**Figure 29a: Network view describing the influence of socio-cultural context**

(Gender): M-Male, F-Female; (Location): CT-Cape Town, DB-Durban, JN-Johannesburg;
(Nature of Business): CONS-construction, DC-dry Cleaning, RE- retail, CT-catering, CT-consultant, CE-children entertainment, TR-training, F&B- finance & business, ICT (repairs, services/retailing). This description is applicable to Figures 29a, 29b and 29c.

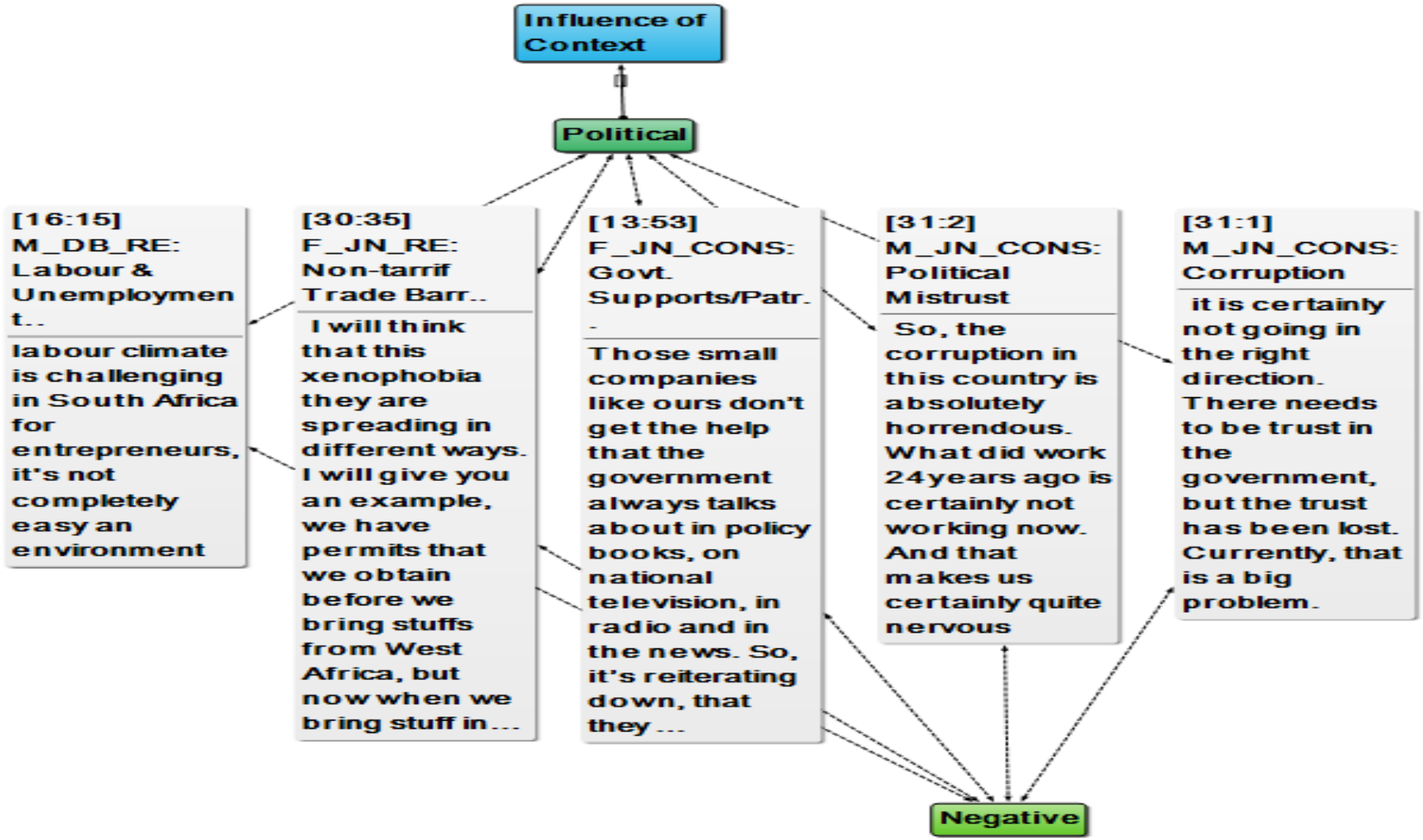



**Figure 29b: Network view describing the influence of political context**

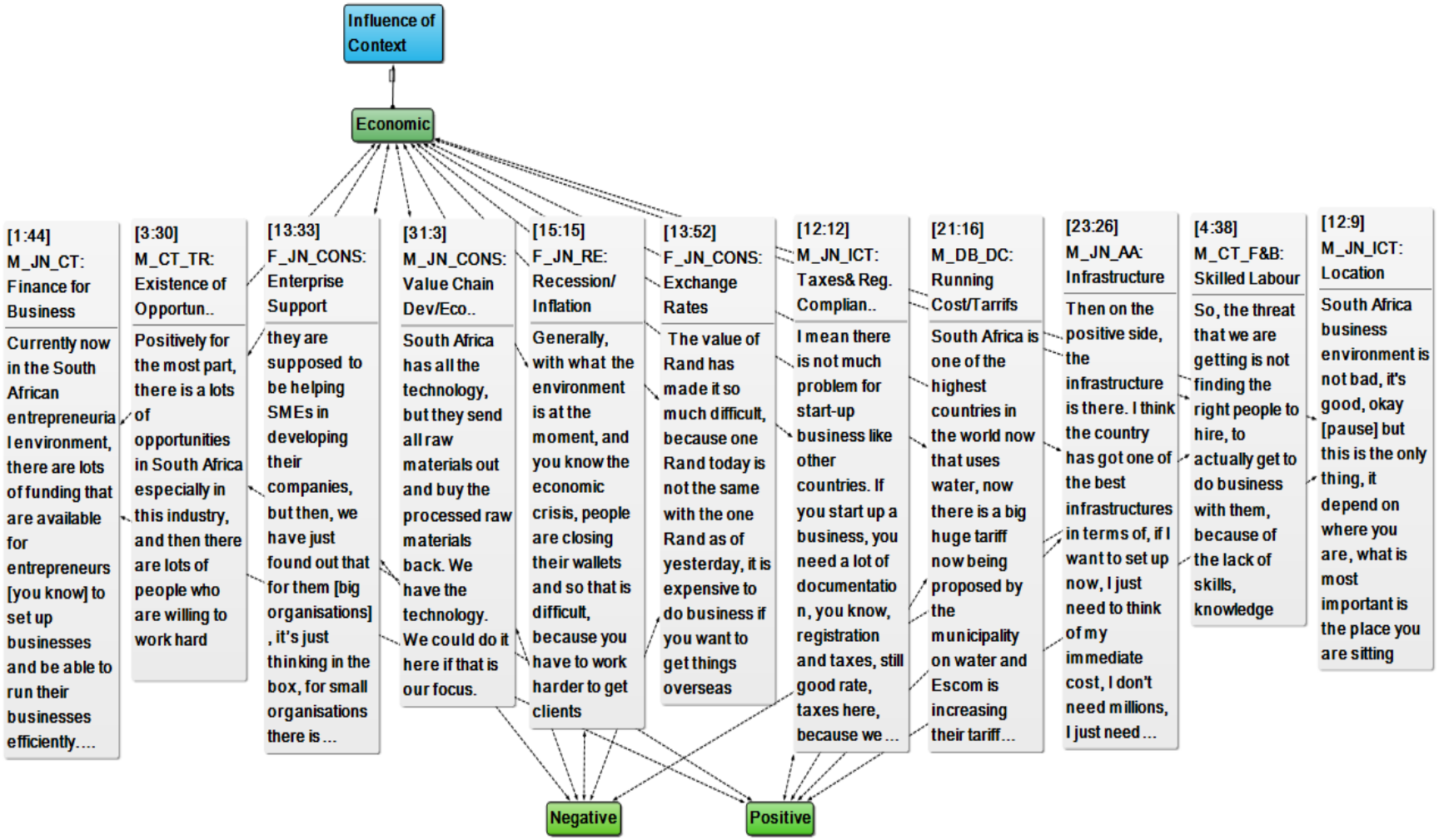



**Figure 29c: Network view describing the influence of economic context**

### 5.5.1 Socio-Cultural Context

The emergent socio-cultural sub-themes are discussed in turn.

#### 5.5.1.1 Race/gender

Qualitative evidence indicates that gender bias exists in the business space in South Africa. This submission was attributed to the fact that, not too many female entrepreneurs could claim substantial business growth/success that could get their business quoted on the Johannesburg Stock Exchange (JSE). The implication is that, there were not enough female entrepreneurs to look up to for motivation, learning and mentorship. Impliedly, lack of such opportunities could widen the business-related gender-racial induced gaps in the country. Therefore, the business space in South Africa is substantially male dominated, challenging for females and particularly Black-owned businesses. This submission is aptly captured in the following interviews excerpt and Figure 29a.

> Being a black entrepreneur is a challenge on its own… no one to look up to, you don't get much Black young women entrepreneur get listed on JSE [Johannesburg Stock Exchange].
> **Female, Johannesburg (Construction, P35)**

#### 5.5.1.2 Language

Language was identified by immigrant entrepreneurs as negatively impacting in terms of business interactions with customers, negotiations and partnerships. The use of local languages in business transactions and socio-cultural engagements has its benefits and disadvantages especially for the migrant business owners. It is important to note that South Africa has 11 official languages, but three are prominent and widely spoken; English, Zulu and Afrikaans. The interview excerpt below highlights the issue of language:

> … language is a serious barrier when it comes to having business venture in South Africa, because South Africa has been a country that encourages their local languages and it's more useable than any other foreign languages in interaction, in business which really helps... It will not really come easy to interact with my customers, because they will like to attend to their own local language for better understanding and negotiation
> **Male, Durban, (Dry Cleaning, P33)**

In addition, the business environment constitutes an amalgam of inter-twined economic and cultural factors in enacting partnerships between foreigners and locals. Often, language barriers limit probable collaborations between migrant and indigenous entrepreneurs. This is highlighted in the interviews excerpts below:

> Oh yes, you have to have a very strong partner number one [laughs] that can see the vision that you see, if you do not have unfortunately, you can do it alone but it would be a lot harder, it is good to have somebody that can back you up especially when things are tough, I must stress that part here, because it's not all that roses out there, you have lots of tough stuffs out there.
> **Male, Durban, (Education services, P20)**

> … then another part is the issue of not identifying with the locals, if we were able to identify with the locals, then they will be able to carry us along. Then the issue of partnership. It is a very very big thing, because now if you are in your country for example, lots of people you could talk to, when they have had the business and then the business would grow, but here it's very, very difficult. Someone you hardly speak the same language with to come on board in your business to identify with you and then invest, it's very, very difficult. So, if banks are not giving you money and you don't have partners to talk to, so then it's a very big challenge in capital injection into your business…
> **Male, Durban, (Dry Cleaning, P33)**

Impliedly, partnership was believed to be beneficial because, having a good partner may facilitate business opportunities and support that could impact on the enterprise performance. However, communication is a key ingredient for cultivating partnership between migrant and indigenous entrepreneurs, and language, understanding and trust would be significantly important.

#### 5.5.1.3 Cultural barrier

A cultural barrier reinforces the issues of race/gender and language. The result suggests that Black entrepreneurs hardly have access to successful Black business owners to look up to as mentors, for learning and support in times of need. This negatively impacting socio-cultural barrier is aptly illustrated in Figure 29a.

> … all odds are against you, so you've got really no immediate family members to look up to that you can learn from or look up to that can help you to survive in the business.
> **Female, Johannesburg (Construction, P35)**

#### 5.5.1.4 Inter-racial marriage

An immigrant entrepreneur (non-South African) opined that inter-racial marriage had positive business implications. Marriage between South Africans and non-South Africans is advantageous to those in 'ethnic related businesses' from other countries, such as food, culturally related clothes and items among others. This may mean that more people will patronise such ethnic related items/food as people continue to inter-marry across races. Such social intermixing stimulates an increasing consumer range and product sales prospects for a larger market share according to the following narratives and in Figure 29a.

> … the fact that our West African brothers are getting married to South Africans... It boosts my business.
> **Female, Johannesburg (Retail/import Business, P23)**

The above excerpt from a female entrepreneur, who despite the challenges of the business environment has seen her customer range expanded from mono-socio-cultural consumers to a more diverse consumer base, thus indicating increased prospects for her retail business.

#### 5.5.1.5 Family support

Some of the entrepreneurs opined that they received support from friends and family in terms of patronage and other support. This is illustrated in Figure 29a. Also, an entrepreneur noted during the interviews that family support had a positive impact on her business performance.

> … Yeah, they do, they support me a lot; they come almost every day to support me whenever they get a chance…
> **Female, Durban, (Catering, P34)**

The above interview excerpt, indicates that this female entrepreneur received support from family, including but not limited to patronage, given the nature of her catering business.

#### 5.5.1.6 Security and crime

There were mixed findings on security and crime across locations. A male entrepreneur in Durban, acknowledged the negative impact that security and crime threats posed to business and everyday living, he however, commended the efforts of the Metro and South African Police, at reducing the crime rates through timely interventions and crime busting (see excerpt in Figure 29a). However, two entrepreneurs in Johannesburg presented a rather hopeless situation in terms of the severity of security demands and crime in the following interviews excerpts.

> There is a lot of risk, everybody knows. When it comes to security aspect of this country, it's not save; even though you are walking anybody can attack you, many people have been attacked in front of my shop.
> **Male, Johannesburg (Business Services, P4)**

> … If you have crime, okay, people will not come here in this mall, okay…most of the people [customers] that went there, they lost their phones, their bags.
> **Male, Johannesburg (ICT Services/Retailing, P2)**

On the other hand, other entrepreneurs across locations while acknowledging the severity of the security and crime situation, suggested preventive measures.

> … you have to get your own security because we are in a high crime environment in this country, [pause]. Getting your security, your own private security, your own cameras and all that stuff, which causes the business costs to go high and makes it difficult to do business...
> **Female, Johannesburg (Construction, P35)**

> … I spent a fortune on my security. I have cameras, burglary… because these are what make up my security, and I'm very, very, vigilant. So that's it about security…
> **Male, Durban, (Dry Cleaning, P33)**

> … I think those are the negative side. And then, security as well is not there, security is an issue. We have to spend a lot of cost every month, you've got Tactical Reactions, you've got three break-ins [burglary] within twelve months. So, for you, it is an issue, you

> can't have meetings at night, you have to go to restaurants or hotels, you know it's always an issue.
> **Male, Johannesburg (Auditing & Accounts, P3)**

> … you need to install now higher security system...
> **Male, Cape Town (Business Solution, P12)**

Getting your 'own security' adds to the cost of doing business. In other words, increased costs of security, loss of productive resources due to regular robbery attacks, the extra costs of holding meetings in more secure locations outside of the business premises, clients and customers staying away for fear of being robbed are all negative factors impacting on the ease and cost of doing business, operational efficiency, productivity and performance.

### 5.5.2 Political Context

The emergent political context sub-themes are discussed in line with the network diagrams in Figure 29b.

#### 5.5.2.1 Labour and Unemployment

The political climate has some ripple effects in terms of labour engagement and industrial relations. The interview excerpt below shows that, the abundance of unemployed labour poses a challenge for businesses.

> …labour climate is challenging in South Africa for entrepreneurs, it's not completely an easy environment
> **Male, Durban, (Retail, P22)**

The political situation can impact on the labour patterns favourably and at times unfavourably. Anytime there are strains in the system, given the increasing unemployment, it impacts greatly on enterprises, in terms of the absorptive capacity of enterprises regarding employment and wages.

> It has its negative and it has the positive aspects. The negative aspect has been the fact that there is no job out there, when people come looking out for jobs, they want a bigger pay to cover those times they have not been working, which really don't come easy
> **Male, Johannesburg, (SMEs consultant, P1)**

While the issue of labour and unemployment is taken as political, the issue of skilled labour is economic and is discussed in a later section under economic context.

#### 5.5.2.2 Non-tariff barriers to trade

A corollary to racially related discrimination is non-tariff barriers to trade (NTBs) targeted at migrant entrepreneurs. A female entrepreneur from West Africa linked 'xenophobia' to seemingly deliberate administrative bottlenecks placed by South African trade authorities against non-South African entrepreneurs that import food and essential items from West Africa. Figure 29b and the interview excerpt below aptly illustrate this assertion.

> …the conditions are just too tough for us, West Africans. That is too bad; because you cannot come from West Africa with perishable goods, then they will stop your containers for two months. They will tell you that you are on a queue, after the wait you will also have to pay demurrage which is more cost to the cost of your goods. So, it is a problem at the end of the day. You don't make the amount of money that you could have made, one. Two, your goods get bad. Three, it's kind of discourages you from doing business.
> **Female, Johannesburg (Retail/import Business, P23)**

#### 5.5.2.3 Government supports/Patronage

Government acclaimed support for small business was controverted by a female entrepreneur in Johannesburg, to be a mere news item (propaganda) rather than a reality. The following excerpt captures this submission.

> Those small companies like ours, we don't see the help that the government always talks about in policy books, on national television, in radio, in the news, so it's reiterating down, that they (government) want to help SMEs but it's not done in actual reality.
> **Female, Johannesburg (Construction, P35)**

However, there may be a need to contextualise this submission, given that the respondent is in the construction industry. She most probably will be competing with more experienced big players in the industry. Therefore, the support being demanded (for SMEs) here was for patronage as she asserted further in the interviews excerpt below:

> … ummm you've got certain requirements which only big organisations can fulfil, they can take certain jobs from the government and we all know that government is the biggest employer, you fail to get jobs from the government, then you fail to grow…
> **Female, Johannesburg (Construction, P35)**

Small businesses' inability to bid competitively for government procurements or contracts against big businesses was viewed as a critical constraint to growth. The demand for certain contract bidding requirements that are beyond the capacity of small businesses were found to be limiting. Such requirements are easily met by big organisations and small businesses are disadvantaged as most of the government jobs go to big organisations. For the construction sector, government is the biggest employer or spender. The findings in this section are linked to the discussion on enterprise support and finance for business under the section on economic context.

#### 5.5.2.4 Political mistrust

The Business community is reluctant to rely on government due to policy inconsistency and growing mistrust. The interview excerpt below illustrates this position:

> … There need to be trust in the government, and the trust has been lost…
> **Male Johannesburg, (Construction, P24)**

When this submission is contextualised with the excerpt on 'government supports/patronage' quoted earlier from another entrepreneur in the same industry, it points to the need for government to earn the trust of SMEs (generally and in the Construction industry) through patronage and confidence building.

#### 5.5.2.5 Corruption

Corruption has socio-political- cum- economic implications. Such implications manifest in terms of general perceptions, transactional costs of doing business and the existing organs of government to deal with its negative effects on business. The business community is extremely frustrated with the level of corruption in the country (see Figure 29b). This is further illustrated in this interview excerpt.

> … I think corruption is becoming more- rife, I mean everywhere. At times, it is obvious and at times it is not obvious, but I think it is something that we have to talk about. It's becoming more rife and people are becoming more open about it, you know people will say that if you want to get this, I need to know what I am getting in return, so it is also affecting business
> **Male, Johannesburg (ICT Services/Retailing, P2)**

### 5.5.3 Economic Context

Key findings that emerged as the economic contexts were discussed as follows:

#### 5.5.3.1 Finance for Business

The lack of access to critical economic resources necessary for expansion and growth could impact on enterprise performance based on the account below by a male entrepreneur in Durban.

> … Challenges that we are facing in business sometimes is lack of money… you know, you discover sometimes you don't have enough money that can make your businesses to grow more than the way you want. I think those are the challenges that we have.
> **Male, Durban, (Construction, P19)**

However, a lack of awareness or access are entirely two different issues. There are different sources of finance for small businesses in South Africa, they can be broadly categorised into institutional and private sector funding. The interview excerpt below from an SMEs Consultant in Johannesburg and the following discussions support this submission.

> Currently now in the South African entrepreneurial environment, there are lots of funding that are available for entrepreneurs [you know] to set up businesses and be able to run their businesses efficiently. There are lots of potential opportunities that are available for us [you know], It's very conducive for start-up businesses.
> **Male, Johannesburg, (SMEs consultant, P1)**

Another entrepreneur from Cape Town confirmed the availability of finance for youth empowerment and businesses in general (refer to Figure 29c). However, two constraints were identified as being responsible for limitations in accessing funds from financial institutions/support agencies. These include, numerous requirements and forms to be filled out, resulting in a considerable loss of valuable time.

> … but when SMEs goes to those institutions to ask for financial help, there are too many requirements and documents to be filled by the entrepreneur, and as an entrepreneur you do not have the time to be filling a hundred paper forms…
> **Female, Johannesburg (Construction, P35)**

An entrepreneurs' time is a critical resource for performance in business. The business requires the owners' attention and quality time to thrive. Time constraints and cumbersome administrative processes are two areas responsible for the inability of many small business owners to access business development funds from financial institutions. Though some entrepreneurs argued that access to finance by small business was not widespread, based on the findings reported under 'enterprise support' in this section. This argument, does not negate the fact that funding opportunities are available for small businesses in South Africa. However, the mixed findings suggest an information gap.

#### 5.5.3.2 Existence of opportunities

There are numerous opportunities in the South African business environment which has a diversified economy. The participants from different sectors affirmed the existence of business opportunities in the South African economy that encourage business start-up and enterprise development. Although opportunities abound in the economy, there are still some limitations and hurdles to overcome judging by these interview excerpts:

> … There are lots of potential opportunities that are available for us…you know…It's very conducive for start-up businesses…
> **Male, Johannesburg, (SMEs consultant, P1)**

> … positively for the most part, there are lots of opportunities in South Africa especially in this industry…
> **Male, Cape Town, (Health sector training, P11)**

Being Africa's most industrialised economy, South Africa presents opportunities for huge resources exchange with its inflow of human and capital resources. As an efficiency-driven economy, South Africa also provides niche opportunities for products and services demands.

> … Hmm you are coming to political territory now [laughs]. It is interesting, South Africa is well number 2 now to Nigeria in terms of economy in Africa, I will dispute that though. I will still say number 1 in Africa [pause] hmm there is always room to grow.

> South Africa is the most industrialized economy in Africa so, that is, hence you are here, all right. Hmm, business as long as there is a need or want, there is always business and peoples' need and want services we provide…
> **Male, Durban, (Education services, P20)**

Further, the larger the economy, the bigger the peoples' demand for products and services. The force of demand would essentially impact enterprise performance. Any economy with a huge population and high productive capacity presents opportunities for business. However, political and economic issues are intertwined according to a female entrepreneur in Durban. It is expected that, attention should be focused on the business opportunities, while political issues are being addressed. The female entrepreneur under reference expressed confidence in the opportunities that the South African business environment presents in this interview excerpt:

> … every country has a political situation. I think really, really think it's how you address it, there is a lot of opportunity in south Africa…
> **Female, Durban (Marketing Solution Company, P15)**

#### 5.5.3.3 Enterprise support

Given the peculiar nature of small businesses, the kind of enterprise support required according to the entrepreneurs interviewed, should differ from '*government support/patronage*' as earlier reported under the theme: Political Context. The entrepreneurs make demands for a range of specific support that clearly addresses the economic needs of small businesses.

> … the disadvantage is that they do not look at small companies or SMEs to say what is it we can help individually, not looking at it in a whole SMEs, because we are in different levels, and to say what is it, which the government that can help the small companies to grow? I found that the help SMEs get is negligible…
> **Female, Johannesburg (Construction, P35)**

The scenario of small companies and SME's peculiar challenges was highlighted in terms of developmental needs (see Figure 29c). The entrepreneur in this study argued that every small business is peculiar and enterprise support should be based on individual needs.

> … The problem comes in, in South Africa when supports comes to the SMEs to a large business strategy to say, 'okay from our

> corporate business, we would support 20 per cent new entrepreneurs'. What they do is, they support existing suppliers, year in year out, so no gap for new suppliers to come in. So, it serves as a disadvantage to you…
> **Female, Durban (Marketing Solution Company, P15)**

A similar narrative validated the earlier assertion of *poor government support* for small businesses. Government and large corporates were criticised for a lack of long term strategies for small enterprise support in line with contemporary practices. The Female entrepreneur from Durban argued for enterprise support from large organisations that create windows of opportunity for SMEs (especially new business) to participate and share their business opportunities/procurements with existing suppliers, by allocating at least 20 per cent of jobs from large organisations to small and new suppliers. Government contracts to small business and start-ups can be similarly allocated.

A young Black, South African entrepreneur, while acknowledging the provision of finance by the government, argued that businesses required more than finance to survive in the tough business environment in South Africa. This submission is captured in the interview excerpt below:

> … Tough! It's tough especially for Young Black businesses to sustain themselves and grow, it's really difficult, the government is trying to inject a lot of cash but some time, it's not just about getting capital, the field must be conducive for one to operate
> **Male, Durban, (Furniture production, P6)**

However, the narrative takes a different turn when the entrepreneur's citizenship/alien status is introduced as shown below. Enterprise support (especially, institutional finance) when available is not for foreigners according to the narrative by a male non-South African below:

> No actually, for my own small business, because people use to come to help small business like, but when they take any details anything at the end of the day normally when they see you don't use ID [South African National Identity], they make things difficult a bit. Because they like small business and they like to make small business grow and support. So, they come and ask for your details, how long have you been doing business? Normally they will ask you

> everything. So, when they get your details, and notice your passport [foreign], they won't say they won't help you, but they will say sign everything, at the end of the day you will not see any call. But you already know by yourself that it's because you are not a citizen. I know that when my citizenship comes out, permanent resident, even that time I can go and ask for government help.
> **Male, Durban, (ICT Repairs, P32)**

From the above experience related by a Durban-based entrepreneur, there had been engagements with government agencies for funding opportunities. However, after the details of the entrepreneur were taken, there would be no feedback. The entrepreneur gave insight that, during the process of obtaining his details, his identity was revealed as a migrant when his passport was checked. He affirmed that the lack of feedback from the prospective funding agencies, had to do with his status as an immigrant. The narrative indicates evidence of availability of funding prospects for small business development, but the difficulty lies essentially in the processes of engaging with foreigners. He noted that once he had acquired a citizenship status, he could seek government support (the entrepreneur is married to a South African woman, based on the interview notes kept by the interviewer).

> … Yeah there are lots of things that need to be done in encouraging small scales business because like I said, now the issue of law and things like that some areas in my business that I like to diversify into which is still part of cleaning like the rug cleaning, house cleaning, things like these need a lot of capital injection which I cannot really get from my bank because I am a foreigner…
> **Male, Durban, (Dry Cleaning, P33)**

Also, another non-South African entrepreneur from Durban observed that his business expansion plan was constrained due to a lack of access to business finance as a foreigner. This constraint constituted some limitations on the entrepreneur's ability to expand into other areas of his cleaning business, because of his inability to secure capital injections to acquire the needed equipment, capacities, and tools for expansion.

#### 5.5.3.4 Value chain development/ Economic focus

The idea that the value chain is not being deepened in various sectors emerged from the study. The results, aptly highlighted in Figure 29c, that the economic focus is not in favour of the

process industry despite the availability of technology in South Africa. However, if the process industry had been developed along the value chain, several niche opportunities would be available for small businesses. While this view is valid, the twin issues of comparative versus competitive advantage (both for SMEs and the government economic policy focus) are missing from this argument. The results have policy implications for small business support and development.

#### 5.5.3.5 Recession/ Inflation

Despite the existence of business opportunities, the challenges of unemployment, recession and inflation combine to reduce the purchasing power of the consumers, as people could not afford to pay for certain products and services.

> … People might like a certain product, but affordability is a problem, economy comes back on that, there's not enough jobs in the country, people that don't have enough money cannot buy the product.
> **Male, Durban, (Education services, P20)**

The implications of reduced purchasing power and a smaller disposable income for enterprise performance is enormous as consumers become more rational in their spending. In a recession or inflationary period, more money will be chasing fewer goods and services.

> Everything is fine. Only that the prices of goods are going up.
> **Female, Johannesburg, (Retail, P27)**

> … costs are really increasing every time so you've to be giving up, to make sure that your costs are really kept low.
> **Male, Cape Town, (Business Solution, P12)**

Entrepreneurs will therefore require high level selling and networking skills to attract and retain customers for continuous patronage. The interview excerpt below links the economic context to its ripple effect on enterprise performance.

> … Generally, with what the environment is at the moment, and you know the economy crises, people are closing their wallets and so that is difficult because you have to work harder to get clients
> **Female, Johannesburg, (Retail, P21)**

#### 5.5.3.6 Exchange rates

The recent economic downturn had a negative effect on most enterprises. Part of the economic limitations was a poor exchange rate between the Rand and Dollar. This, in a way had an overall limiting effect on business performance. The following interview excerpt corroborates this submission.

> Business is not like very bad, it's just that [pause] this year and last year is…and it's the Dollar which is really affecting us [business owners], it is high, and it is going to be higher every day and it is really affecting us.
> **Male, Johannesburg, (ICT Services/Retailing, P2)**

Although, the nature of business in a way determines business opportunities, there is a connection between economic indicators like the exchange rate and business performance which could come in the form of relative or financial performance. The low rate of the Rand exchange to the Dollar due to the recent economic downturn has had a considerable negative effect on productivity, profitability and scale of operation. In the interview excerpts below, the respondent submits that the current state of the economy does not provide the right context to expand, as the business is constrained to look inward instead of outsourcing many non-core operations capable of increasing production and performance.

> It's an opportunity for us, I mean, at the moment, because we are offering an energy source, so it means we got a big opportunity but on the other hand, it is hmm [pause] the economy is not friendly as we would like it to be, obvious reasons you know, manufacturing products and things like that, it requires a lot of money, so in terms of the Rand [South African currency] being so low, you really can't outsource a lot of things.
> **Male, Cape Town, (Business Solution, P12)**

Businesses find it difficult to thrive in a harsh economic terrain. In the interview excerpts below, the twin issues of inflation (growing costs of running business) and exchange rates challenges were highlighted by the participants. The entrepreneurs described how the increase in utility bills has affected their businesses and indicated they may need to constantly re-examine their financial plans and business models to keep costs as low as possible.

> … Wow, that's hard because you need to buy certain equipment overseas. Obviously, the value of Rand has made it so much difficult, because one Rand today is not the same with one Rand as of yesterday… it is expensive to do business if you want to get things overseas…
> **Female, Johannesburg, (Construction, P35)**

> … Yes, the environment is good for the business, but our kind of business is based mostly on the rate of exchange, that impacts the business especially for international travels…
> **Female, Johannesburg, (Travel Agency, P30)**

The above excerpts are indicative of the negative impacts of fluctuating exchange rates and inflation on international business and enterprise performance in general. Such unfavourable macroeconomic indicators have implications for business planning and expansion, enterprise performance, profits and cash-flow as more money will be chasing fewer products and services due to rising costs.

#### 5.5.3.7 Taxes and regulatory compliance

Too much regulation, legislation and government procedures are identified as negatively impacting factors. The interviewees highlighted complicated regulations and cumbersome procedures that are burdensome to SMEs:

> Negative in the sense that it is cumbersome to run a business because there is a lot of rules from legal to the tax point of view, from the regulation point of view, there is a lot of issue that you have to deal with, and most of the time is those things are not always clear cut and there is always overlap
> **Male, Johannesburg, (Auditing & Accounts, P3)**

> … Because of the regulations and the requirements, the laws and regulations of the country, obviously in the business, we've got risks that you have to manage…
> **Male, Johannesburg, (ICT Services/Retailing, P2)**

The number and nature of laws and regulations in the South African business environment portends inherent risks and burdens for enterprises, even though business registration costs and tax rates were reported to be within acceptable standards compared to other countries.

> I mean there is not much problem for start-up business like other countries. If you start up a business, you need a lot of documentation [pause] you know, registration and taxes [pause] still good rate, taxes here, because we are in business, we have to pay tax…
> **Male, Johannesburg, (ICT Services/Retailing, P2)**

The above narrative shows that tax rates have not been bad for small business and business registration costs have also been satisfactory for start-ups. However, starting up a business requires a lot of documentation. Government procedures still pose some difficulties for existing small businesses. In addition, the entrepreneur asserted his willingness to voluntarily perform his civic duty of tax payment (responsible corporate citizenship).

#### 5.5.3.8 Running costs, tariffs and utility bills

Because of recession/inflation, operational costs are on the rise. A small business owner lamented the recent trend of rising costs for business operations in the interview excerpt below.

> … sometimes the rents are too much because we don't own the buildings they are owned by other people.
> **Male, Durban, (Construction, P19)**

Similarly, the impact of the economic downturn, inflation and rising business costs is further amplified by higher electricity and water bills as expressed in the excerpt below.

> South Africa is one of the highest countries in the world now that uses water, now there is a big huge tariff now been proposed by the municipality on water and Eskom this is increasing their tariff now base on power too. If you plan, because it will have a direct impact on the business, so you have to be very, very careful about that because, in this month now you use 2000-Rand worth of power, the next month you have to reduce due to the tariff or maybe due to numbers of business you made during that month, so you should always plan for that
> **Male, Durban, (Dry Cleaning, P33)**

#### 5.5.3.9 Infrastructure

A common perception among the participants was that South Africa has sufficiently supportive infrastructure for business start-up and growth. This is captured in the excerpt below:

> Then on the positive side, the infrastructure is there. I think the country has got one of the best infrastructures in terms of, if I want to set up now, I just need to think of my immediate cost, I don't need millions, I just need to think of my three months overhead cost and I can then set up
> **Male, Johannesburg, (Auditing & Accounts, P3)**

#### 5.5.3.10 Skilled labour

The industrial relations framework with Labour Unions concerning wages and employment is viewed as part of the 'Political Context' in this study, whereas skilled manpower is regarded as a critical economic resource. Therefore, skilled labour is a crucial resource for productivity, efficiency and performance in small business. In this excerpt, a *Business Solution* provider opined that the paucity of skilled labour (with the requisite knowledge and skills) was a huge challenge in his line of business:

> ... it's not like they do not want to, but they are not following the right way. So, the threat that we are getting is not finding the right people to hire, to actually get to do business with them, because of the lack of skills, knowledge. It's quite a big threat…
> **Male, Cape Town, (Business Solution, P12)**

#### 5.5.3.11 Location

The interview excerpt in Figure 29c highlights the importance of business location. The narratives below also indicate the influence of business location on enterprise performance. A female entrepreneur described that the location of her office on a higher floor in a shopping plaza is an advantage, despite her earlier presumption to the contrary. Initially, when the business started, more people (customers) visited the businesses on the ground floor of the plaza compared with businesses on the higher floors of the shopping plaza. However, with time, people started patronising businesses on the higher floors of the shopping plaza and the higher floor eventually turned out to be a good location for her type of business (Travel agency) as she progressed and pursued her vision.

> … Initially when I started my business where it was located, thought I was heading to disadvantage spot in a sense, that this

Centre there was a lot of movement downstairs than upstairs…
**Female, Johannesburg, (Travel Agency, P30)**

The point emphasised here is that business location matters for patronage and growth. The location of the business must be taken into consideration both at start-up and during the growth process.

### 5.6 Chapter Summary

The qualitative data is presented and discussed in this chapter. The collection and analysis of the data were premised on socio-constructionism philosophical research paradigm, that requires obtaining information that is grounded in the opinions of entrepreneurs using interviews technique. The data presentation followed three main thematic categories of motivation, cognition and context (Section 5.1) with a mind map that captures the inherent highlights of the themes (See Figure 26). The mind map was followed by a discussion about the characteristics of the respondents (Section 5.2). In all, the interviews data obtained from thirty-two (32) participants, comprised of 19 males and 13 females across the three metros of Cape Town, Durban and Johannesburg, were presented and analysed using ATLAS.ti software.

From the motivation theme (Section 5.3), the analysis reveals that motives, psychological/non-psychological, socio-cultural and economic factors were fundamental determinants of motivation among SMMEs entrepreneurs in South Africa. Motives for autonomy, problem solving, push factors and intrinsic factors motivate entrepreneurs and by extension aid business performance. Similarly, socio-cultural factors such as family, peer influence, and peer reference could influence performance in business. Further, psychological and non-psychological factors of vision, achievement motivation, innate talent, skills, passion/egoistic passion and self-esteem were also identified as motivational variables among entrepreneurs. Lastly, economic factors relating to risk-taking, success, wealth creation and larger picture of economic growth could be highly motivating according to the results, and the network views presented (See Figures 27a, 27b and 27c).

The thematic area of cognition (Section 5.4) reveals knowledge, skill and ability as fundamental factors for successful entrepreneurship, business operations and performance. Knowledge such as basic knowledge (especially knowledge of business ideas, products and markets are critical to

entrepreneurship and business performance), vicarious learning (indirect learning from parents while they run their businesses), school/classroom knowledge, start-up knowledge (direct learning while running ones business), knowledge about finance, knowledge about networking, knowledge of regulatory compliance (to avoid penalties for non-compliance) and continuous professional development (CPD) came out strongly from the interviews. Further, skills identified were related to technical, networking/social, problem-solving, marketing, service delivery/customer retention, practical skill (business operation experience as a learning curve), time management, and innovation/new products development. Also, according to the results, entrepreneurs require beneficial abilities which include: domain competency, technical ability, networking capability, managerial competency/experience, adaptation ability, financial management capability and internal drive (See the network views in Figures 28a, 28b, 28c and 28d).

Lastly, the thematic factor of context (Section 5.5) presented and analysed includes socio-cultural, political and economic contexts. Issues such as race/gender, language, cultural barrier, inter-racial marriage, family support, security and crime emerged as socio-cultural variables influencing business operations and performance. Similarly, labour and unemployment, non-tariff trade barriers (specific to migrant entrepreneurs), poor government support/patronage, political mistrust and corruption emerged as political issues of concerns. Lastly, the emerging economic contextual issues are availability and accessibility to finance, existence of opportunities, enterprise support, value chain development, recession/inflation, exchange rates, taxes and regulatory compliance, increasing costs of running business, infrastructure, skilled labour and location (See the network views in Figures 29a, 29b and 29c).

Overall, given the differences of opinions, location and experience, the perceptions of context could be highly dispersed. However, there were convergent views regarding some political and economic variables such as exchange rate, inflation, corruption, public trusts, high tariffs and utility, existence of opportunities, availability/access to finance for business among others. In general, the qualitative results have introduced important dynamics to the study, as entrepreneurs were able to express their opinions on several issues relevant to the research focus. This approach has helped to complement the quantitative results and further enrich the findings. Further details are discussed in Chapter Six.

# CHAPTER SIX

# DISCUSSION

The chapter follows from the analyses of the quantitative and qualitative results in Chapters 4 and 5. The study has addressed five specific objectives. First, it examined influences of some selected motivational factors of small business entrepreneurs in South Africa on enterprise performance. Second, it examined the extent at which specific cognitive factors of knowledge, skills and ability influence enterprise performance. Third, it applied and tested a behavioural model (combined influence of motivational and cognitive factors) on enterprise performance. Fourth, it examined the extent at which contextual variables of political, socio-cultural and economic are significant moderators of the relationship of motivation and enterprise performance as well as cognition and enterprise performance. Fifth, it evaluated the patterns of enterprise performance in relation to some specific individual and business factors. The results are discussed in this chapter according to the research questions.

## 6.1 Motivation of Entrepreneurs

The study set out to answer this research question about the motivation of South African entrepreneurs: *To what extent do motivational factors of small business entrepreneurs influence enterprise performance?* Considering the complex phenomenon of entrepreneurship, the theoretical and empirical justifications for this question include, deepening the existing research on the motivation of South African entrepreneurs beyond their mode of business entry and motives (Herrington *et al.*, 2011; Kelly *et al.*, 2016; Neneh, 2012), and providing empirical evidence on several depth-psychological motivational variables, that are yet to be linked with enterprise performance, within a multidimensional research paradigm in South Africa. Conceptualising motivation as a behavioural construct is at the core of the depth-psychological approach, that transcends the motives for business founding, and is more about finding a relationship with entrepreneurship (Hessels *et al.*, 2008). Specifically, in linking motivational factors to enterprise performance, two approaches were utilised: the direct effect (a simple model of the relationship between two variables of interest, such as the need for achievement and financial performance) and the structural model (the model that examines the influence of motivational factors within the broad behavioural construct and enterprise performance).

The results of the direct and structural models indicate that motivation had a strong influence on performance among small businesses in South Africa. Although previous research provides some evidence on the relationship of nAch and performance[9] (Begley & Boyd, 1987; Berthelot, 2008; Lee & Tsang, 2001; Solymossy, 1998), explanations for the influencing role of nAch on financial performance, within a behavioural model in South Africa are lacking. For instance, in a study of French and American entrepreneurs in the United States of America (USA), Berthelot, (2008) utilised a unidimensional measure of performance satisfaction, while Lee & Tsang (2001) measured growth broadly (growth rate of sales and profit) among Chinese entrepreneurs in Singapore. Also, Solymossy (1998)'s study in the US measured both economic success (average annual sales growth (revenue), income and employment) and satisfaction (with both personal objective and venture performance). In the current study, however, a careful combination, of these performance measures were utilised and relative performance was also introduced.

Similar to the approach utilised in this study (PLS-SEM), Lee & Tsang (2001), found the need for achievement to influence venture growth within a structural model. Furthermore, Solymossy (1998) result pointed to the profile of an entrepreneur with an aggressive achievement orientation towards economic success. However, contrary to the results obtained by Berthelot (2008) in the US, the current study provided empirical evidence within the structural model of a positive and significant relationship between nAch and financial performance, and nAch and performance satisfaction respectively among South African samples. Several reasons could account for the different results obtained by Berthelot and the current research. It might be a manifestation of contextual differences between developed and emerging economies (Bruton *et al.*, 2008; Manolova *et al.*, 2008), and a methodological improvement due to careful selection of instrument[10] and application of PLS-SEM in the current study. For some of the entrepreneurs in the research sample, establishing a connection between needs for achievement and enterprise performance was obvious in the following excerpts:

> '…it's about using that money to grow and to nurture and to cultivate your business.'

[9] This could mean any of these terms: growth, success and performance satisfaction based on the selected references here.
[10] The need for achievement validated scale by Lee & Tsang (2001) adopted and utilized. The findings are replicated in the current study in relation to enterprise performance.

> '…the ability to see that there is a lot of opportunity, even though a lot of hard work is ahead of us, there is a lot of opportunity to succeed within the industry…'

According to the excerpts, the motivation to recognise and explore opportunities, including hard work, and the ability to manage the interdependences have connection with business growth or success. Previous research has suggested that motivation is a distinguishing characteristic of entrepreneurs (Stewart Jr & Roth, 2007) and achievement orientation is positively related to performance and occupational choice in a meta-analysis (Collins *et al.,* 2004). While the current results regarding the influence of the need for achievement (nAch) on financial performance corroborated Collins *et al.* (2004), it also found that nAch influenced satisfaction with performance.

Similarly, the risk-taking propensity emerged as a fundamental premise to achieve any form of performance in business (be it financial, relative or satisfaction). In other words, the most critical motivational factor to achieve financial performance, to gain competitive edge and be satisfied with performance is for entrepreneurs to possess a high propensity for risk-taking according to the results. Given the constancy of both nAch and the risk-taking propensity in influencing financial performance and satisfaction, the current findings can be aligned to McClelland's (1961) initial findings of nAch, emphasising that individuals with a high nAch, set challenging but achievable goals with a strong desire for accomplishing difficult tasks. Setting financial performance as a goal to be accomplished requires that, entrepreneurs be motivated by the propensity for risk-taking and the need for achievement according to the results. An entrepreneur made a connection between the risk-taking propensity and business success in this excerpt:

> '… and in a business, you have to take risk in order to succeed...'

The results have added to the growing evidence that risk-taking is an important characteristic of entrepreneurs (Ahmed, 1985; Shane, et al., 2003; Vecchio, 2003), contrary to Brockhaus (1980b) finding of no direct relationship between risk-taking and corporate financial performance. In addition, it lends credence to the relevance of the behavioural approach over the trait approach, that conceptualises behaviour as pre-eminently determined by non-volitional influences of external (through reward and punishment) or internal (through instinct, drive and unconscious awareness).

Furthermore, perceptions of individual dimensions of the need for achievement (nAch), risk-taking propensity and entrepreneurial self-efficacy (ESE) were found to influence enterprise performance directly. This confirms that, achieving business performance requires a propensity for risk-taking, the need for achievement and ESE on the part of an entrepreneur. While some studies could not confirm risk-taking as a distinguishing characteristic of entrepreneurs (Begley & Boyd, 1987; Brockhaus, 1980a), some other studies, like Ahmed (1985), confirmed that entrepreneurs (Bangladesh immigrant business owners in the U.K.) do have a higher propensity for risk than non-entrepreneurs and Berthelot (2008) reported the influence of entrepreneurial personality (locus of control and risk-taking propensity) among entrepreneurs in the US on satisfaction with performance. Although, the risk-taking propensity and the need for achievement are salient according to the results from the structural model, there are several important implications for the findings concerning ESE that was significant in the direct model but was not significant in the structural model.

First, the direct model has added to the growing importance of ESE and confirm ESE as a distinct characteristic of entrepreneurs in line with previous findings (Chen *et al.*, 1998). Second, it complements and extends previous findings on ESE in South Africa (Urban, 2010, 2012) by linking ESE with enterprise performance using multiple performance measures. Third, those who lack ESE, may as well lack the capabilities for risk-taking and innovative behaviour (Chen *et al.*, 1998). Fourth, ESE showing a weak linkage (positive but not-significant) influence on relative performance (0.077, $p>0.05$), aligns with the findings suggesting that, many individuals in emerging economies engage in entrepreneurial activities for lack of alternatives (Reynolds *et al.*, 2002) with the implication that, they may not be expected to grow their business to any significant level (Bosma & Levie, 2009; Herrington *et al.*, 2009). Additionally, many individuals tend to underestimate their knowledge, skill and ability (because of self-doubt), and this limits what they do with what they already have (Chen *et al.*, 1998; Luthans *et al.*, 2000).

While some of these explanations are valid and relevant to some entrepreneurs, additional field information indicates that entrepreneurs can overcome the initial circumstances for business founding to establish a fledging business. A ‘necessity entrepreneur’ (one of the research respondents, a former banker, ‘pushed’ into starting a restaurant business due to loss of her previous banking job) was found to possess the motivation and cognitive capabilities required to

support the current business growth plans. Furthermore, university education may also play an important role in the cognitive capability of entrepreneurs in relation to performance. In addition, individuals with fewer skills (at the time of founding a business) or as 'necessity entrepreneurs' could also achieve performance targets because of passion/egoistic passion according to the following excerpt:

> '… Now you have people that have no skills in the past, but they have interest in doing it [business] and they have done really well why? This is because if you take money out of the picture, they will still be doing it…'

From the findings based on the excerpt, motivation can influence skills development and performance over time. While self-efficacy (motivation) may influence skills utilisation with the understanding that individuals already possess the skills (Bandura, 1997; Herron & Robinson, 1993; McClelland, 1985), the current results tend to deepen that submission with the evidence that, motivation influences skill development and its utilisation for performance. In addition, the result further confirms the proposition that, the initial motives for business founding can change (Williams, 2008). Also, other findings have shown that managerial efficacy is a significant predictor of future performance (Chandler & Jansen, 1992), because, self-efficacy is expected to be task-specific and capable of differentiating among people, even with the same ability (Shane *et al.*, 2003). Specifically, the current findings corroborate Baum & Locke (2004) that, self-efficacy directly influences venture growth. Therefore, those who lack self-efficacy according to the findings in this study, are very unlikely to compete with peers in the same industry and stage of development (poor relative performance).

Surprisingly, the locus of control (with behavioural dimensions for goal setting/planning, hardworking and results orientation) was not significant in the direct effect model (-0.034, $p>0.05$) but was apparent in the behavioural model. This goes to demonstrate a few possibilities: that a perception of locus of control by entrepreneurs, cannot drive any meaningful performance unless in combination with other motivational and cognitive factors and when it becomes excessive, it portends negative relationships with performance. In the structural model, the result demonstrated significantly negative relationship of the locus of control with financial performance (-0.292, $p=0.005$) and satisfaction with performance (-0.182, $p=0.011$). In other words, the locus of control influences financial performance, to the extent that, it has negative

effects when it becomes excessive. These findings are contrary to the findings in some developed economies that suggest a positive and significant relationship of the internal locus of control with measures of performance (Berthelot, 2008; Lee & Tsang, 2001), but hold similarities with Begley & Boyd (1987) results, where being 'internals' (internal locus of control) is associated with lower levels of liquidity.

The implications of results regarding the internal locus of control are worthy of further discussion. First, given the nature of most SMMEs, it may be that, lack of capacity by entrepreneurs, potentially has over-bearing negative effects on project execution and financial performance (as targets might not have been met as expected). Findings by Solymossy (1998) suggest that, individual-level behaviour does impact both the actions and outcome at organisational level.

Second, a significantly negative influence of locus of control combined with weak entrepreneurial self-efficacy and excessive self-esteem, may portend negative effects on measures of performance. For instance, having a high self-esteem influences performance outcome as revealed in the following excerpt:

> '…I always want to prove to people that they are wrong... I have to show them that I can do it…'

However, proving *'...to people that they are wrong*' could sometimes become a burden on business performance. Because, the employees or managers' ability to take proactive independent decisions is limited, due to the owners' overbearing control or lack of delegated authority. Therefore, self-esteem and perception of *being in control*, that are supposedly beneficial entrepreneurial resources, could limit the potential performance of the business, when they are not in moderation.

Third, entrepreneurs may have negative perception of stakeholders' expectations or contributions to the business and hence poor perception and negative impact on satisfaction with performance. Fourth, according to McClelland (1961), people with high nAch have a higher internal locus of control, whereas from the findings in this study, a negative but significant influence of locus of control, may signal poor planning, poor delegation, lack of capacity to execute, or attribution to others and not to self. People who attribute failure to others, are less likely to learn from mistakes

(Yamakawa, 2009), whereas internal locus of control should help entrepreneurs overcome challenges and disappointments (Boone *et al.*, 1996). While these submissions are tentative, they tend to align with the findings by Solymossy (1998), who reported a non-monotonic perception of 'personal control', that may be detrimental to individual success, if it is not in 'moderation'.

The non-significance of locus of control and ESE in direct and structural models respectively, potentially portraying a misleading picture of these two motivational factors among South African entrepreneurs, is contrary to available evidence for both locus of control (Lee & Tsang, 2001) and ESE (Baum & Locke, 2004) within structural models in different studies. However, further evidence from the study indicates that entrepreneurs in South Africa are equally motivated by personal, psychological, economic, and socio-cultural factors, that could potentially influence (negatively or positively) enterprise performance (refer to Chapter Five).

In sum, some of the identified factors could account for the gaps in the existing literature regarding motivation of entrepreneurs in South Africa. These findings may be linked to several previous findings relating to the capacity and attitude of South Africans towards entrepreneurship (Department of Basic Education, 2011; Herrington *et al.*, 2017; Kelly *et al.*, 2016; WEF, 2015; Xavier *et al.*, 2012). Nonetheless, the structural model provided theoretically relevant justification and methodological improvements over the direct effects model, and addressing some other methodological challenges that have been identified by scholars (Carsrud & Brannback, 2011; Carsrud & Johnson, 1989; Gartner, 1989; Rauch & Frese, 2007). In addition, by utilising a multidimensional research paradigm and PLS-SEM as analytical framework, the study revalidated some previously utilised instruments (Berthelot, 2008; Chen *et al.*, 2001; Lee & Tsang, 2001), and in some instances provided new evidences for the adopted instruments (Chen *et al.*, 2001; Schjoedt & Shaver, 2012) in a different cultural environment (South Africa).

### 6.2 Cognition of Entrepreneurs

The cognition of South Africa entrepreneurs was evaluated in this study using three-dimensional factors of knowledge, skill and ability (KSA). While scholars generally agree that entrepreneurs need to possess the requisite KSA to fit properly into their role (Shane *et al.*, 2003; Ucbasaran, 2004), a clear empirical articulation of the constructs is lacking. The key research question was:

*To what extent do cognitive factors (Knowledge, skill and ability) of small business entrepreneurs influence enterprise performance?* To answer the research question, the results of the relationship of cognitive factors and indicators of enterprise performance are discussed in the following sections.

### 6.2.1 Knowledge Influencing Relative Performance and Satisfaction

Knowledge was reflected by the perception of five items testing key theoretical dimensions. The five dimensions were 'know what' (factual knowledge), 'know why' (axiomatic knowledge), 'know how' (tacit knowledge), 'know who' (social capital), and 'education and training' (explicit knowledge). The psychometric properties of the scale are within the acceptable loadings in terms of average variance extracted (AVE) and composite reliability (CR). From the hypotheses testing the structural relationships of different personal characteristics including knowledge, the study established knowledge as the most valued cognitive characteristic for relative performance and satisfaction with performance. The implication of entrepreneurs having business related knowledge cannot be over-emphasised. The scale measuring the relative performance, examined the performance of the firm within the past three years in relation to competitors in the same industry and stage of development. Those with knowledge according to the results are more likely perform better than competition because, knowledge supports the setting of objectives and evolving strategies leading to the achievement of business goals. Knowledge enhances better understanding of the market, operational needs and procedures, utilisation of network resources and education and training. In addition, it is quite interesting to know that knowledge influenced satisfaction with performance as well. This is an indication that running a business is not only about financial returns or competitiveness. Some individuals are in business to prove that they 'can do it', some to achieve a more realistic work/life balance, others for the fun, freedom or for some other personal reasons.

Furthermore, knowledge confers differential advantage at the societal level and by extension in business, for those who possess it. General knowledge may be readily available, explicit and easier to transfer (Davidsson & Honig, 2003; Marvel & Droege, 2010; Quigley, Tesluk, Locke, & Bartol, 2007; Taylor, 2007), but such knowledge according to Fiet (2007), may not confer competitive advantage. In other words, knowledge to achieve relative performance should not be

easily copied or transferred. Some specific types of knowledge may confer competitive benefits within an industry or sector and therefore drive relative performance. Knowledge about how to serve the market (know why) and knowledge about the purpose for which the business was set up (know what) could be an important resource for some entrepreneurs and may be their 'trade secret' that confers competitive advantage. Such knowledge according to Marvel & Droege (2010) drives performance/success. While different views of knowledge exist, the view that knowledge comprises both technical and cognitive dimension (Nonaka, 1994; Takeuchi, 2001) or technical-functional (Chandler & Jansen, 1992) resonates well with this study. Knowledge relevant to business and relative performance required by entrepreneurs in a competitive environment cannot be limited to general management or what can be delivered within the classroom setting alone. It is about *'the more practical core'* (knowledge gained while running the business) according to a respondent. This submission is further reinforced in this excerpt:

> 'The experience [of being an entrepreneur], you know, you learn a lot of things, the dynamics of the game, and, and sometimes you get your hands burnt, you know, in some of the things you are getting into, so it's quite a learning curve and it has developed me to be a better and a successful entrepreneur'

Having knowledge is one thing, utilising it appropriately is another. This is more about how entrepreneurs utilise knowledge to gain competitive business advantage. Knowledge gained through *'the more practical core'* is also strategic (know why), and procedural (know how) and by implication confers competitive advantage to those who have it. In addition, previous research identified social capital (know who) as an important resource for performance among small businesses (Davidsson & Honig, 2003; Liao & Welsch, 2003; McLaughlin, 2012; Širec & Močnik, 2010). Importantly, Davidsson & Honig (2003) found that being a member of a business network positively influenced sales or profitability. This is about utilising social network resources to shore-up business performance. It is not just about the awareness (quantum of knowledge about social network) but more about usability, relevance, and appropriateness for business needs.

Though McLaughlin (2012) utilised a different approach compares with the current study, found that entrepreneurial competence (conceptualised broadly as knowledge, traits and skills), influenced business success, and by extension, emotional intelligence influenced relative

performance. In the contrary, 'human capital' (tacit and explicit knowledge and skills) could not be confirmed, to have a positive influence on growth among Slovenian companies (Širec & Močnik, 2010). Similarly, the results in this study, given the broader perspective of knowledge as comprised of 'know how', contradicts Kozan *et al.* (2006), that found 'know-how' to be negatively impacting market expansion. In this study, utilising relative performance as an outcome variable, lends credence to several potential benefits of a multidimensional approach to performance measures. In addition, the usefulness of knowledge typologies, instead of the bundled approach of measuring KSA as 'human capital', 'expertise' 'competency' or 'capability'. This approach, from the researcher's perspective, was not confusing to the respondents.

Knowledge is about its usefulness in an actual business situation by individual entrepreneurs. In advancing this position, findings by Ucbasaran, (2004) indicate that, entrepreneurs differ greatly in the way and manner they utilise available support services and translate information into opportunities. On the other hand, professional competency can be a distinguishing factor between a 'novice' and an 'expert' entrepreneur (Baron, 2004a; Krueger, 2007). Given such differences among entrepreneurs, the current results can be linked to studies that have identified the influential role of knowledge on opportunities identification and exploitation (Baron, 2004a; Shane & Venkataraman, 2001b; Ucbasaran, 2004), and new venture internationalisation (Lipuma *et al.*, 2011). According to Krueger, (2007), a metacognitive capability empowers individuals with the ability to direct their own learning, and 'developmental experience' determines how they structure what they know over time. In addition, the 'expert' who have the requisite know-how will be able to outperform competitors, because entrepreneurs do make adjustments in how they structure what they know (Krueger, 2007; Mitchell, Busenitz, *et al.*, 2002).

Interestingly, from the structural model, knowledge shows a positive but not significant influence on financial performance. This signifies some relationship, though a weak and not significant relationship as it were. The likely explanation could be linked to several previous findings about South Africa, that reported the general and entrepreneurial knowledge gap (Department of Basic Education, 2011; Herrington *et al.*, 2009; Herrington *et al.*, 2017; Kelly *et al.*, 2016; WEF, 2015; Xavier *et al.*, 2012), the prevalence of necessity entrepreneurship (Kelly *et al.*, 2016) and among the countries with the lowest high expectation entrepreneurial activity (Bosma & Levie, 2009).

Given the Davidsson (1991) 'Need hypothesis', it can be that, some entrepreneurs (due to age or for other reasons), have a lesser need to pursue additional income (business financial goal), either because they are 'satisfied' with what they are doing or happy with their current achievements. Another possible reason might be that, knowledgeable people with less of a developmental attitude (such as low nAch or weak self-efficacy) are less likely to make financial performance a top priority and by extension, such individuals may enjoy greater satisfaction according to the results. A further reason could be, individuals with less capacity, might be operating competitively at a lower level of the economic ladder or niche sector and they are just satisfied with their achievements given that, more than 70 per cent of the entrepreneurs in the sample are operating micro and small businesses. According to Porter (1998), three things give competitive advantage; differentiation, low cost and niche advantage regardless of the industry or size. Further, Baum *et al.* (2001) found that performance can be enhanced when a firm's competitive strategy relates to either focus, low-cost or differentiation. These among other reasons could justify the significant influence of knowledge on relative performance and satisfaction with performance. Further research could provide insights into the nuances of the non-significant relationship of knowledge with financial performance.

From the discussions so far, it can be summarised that knowledge is not just about awareness or information gathering, but its *utilisation* for business advantage. These views can be illustrated with some excerpts emerging from the study:

> '... I believe you need to have knowledge of accounts, you need to know your numbers.'

> 'I've been penalised for non-compliance before… I would say it was a pinch and there were some lessons we learnt'

From these excerpts, it can be inferred that, awareness of regulatory procedures is necessary and not sufficient, rather, being able to utilise one's knowledge for business advantage (knowledge to protect the business from preventable penalty, that potentially reduces profitability or revenue). The same goes for knowledge about finance, knowledge about networking and continuous professional development (CPD) to fill critical knowledge gap while running the business.

This distinction is in line with the results obtained by Ucbasaran (2004) and the submission by Shane & Venkataraman (2000) that an entrepreneurs' awareness and action (acting on opportunities) are not the same. Obviously, higher relative performance is more likely to be achieved by entrepreneurs who acted more on opportunities than their competitors in the same industry and stage of development, and they are likely to achieve greater satisfaction with performance. This study has provided initial empirical evidence on knowledge typologies relevant to entrepreneurship in an emerging market which is different from the venture internationalisation perspective suggested by Lipuma *et al.* (2011) and has also introduced important dynamics into the influence of knowledge on small business performance. In sum, knowledge confers competitive advantage and brings satisfaction to those who have it.

### 6.2.2 Skill Influencing Financial Performance

The empirical findings that skills influence the financial performance among SMMEs in South Africa provided several interesting insights. Given the paucity of unifying empirical support for such a relationship in the extant literature and the novelty of the current approach to skills measurement, the structural modelling of skills was found to positively influence financial performance (0.189, p=0.039). Importantly, skill was the most significant of all the cognitive factors (including knowledge and ability) on financial performance. Skills related to specific aptitudes and practice that provided the needed capacity to handle tasks as required to generate superior performance. The five skills attributes addressed in the study are: '*good at getting money and people*', '*organising and motivating people*', '*supervise, influence and lead others effectively*', '*allocate resources to achieve performance targets*' and '*connect easily with people*'. The financial performance was measured as an entrepreneurs' assessment of his/her business growth or decline (within the past three years) on the key indicators of sales growth, cash flow, market share, net profit, and total sales.

With greater aptitudes and experience to obtain money and the kind of people required in business, skills will certainly set an entrepreneur apart from others in terms of financial performance according to the results. This is particularly important, as previous research has identified an inability to access finance as a critical skill gap among South Africa business owners despite the availability of finance (Falkena *et al.*, 2001; Herrington *et al.*, 2009;

Herrington *et al.*, 2017). Furthermore, being able to access financing is one thing, the ability to organise and motivate people to work for superior enterprise performance is another important skill tested in this study. While skill shortages among employees have been reported by the Department of Higher Education and Training (DHET)[11] and Herrington *et al.* (2017), entrepreneurs superior people skills to attract and retain skilled staff may be very important, holding employees' salaries and emoluments constant. This would mean that entrepreneurs should possess the skills to '*supervise, influence and lead others effectively*'. Managerial skills could influence a firm's growth according to Penrose (1959) and emotional intelligence influences relative performance (McLaughlin, 2012). Therefore, having people management skills, especially in South Africa, would be expedient for entrepreneurs, where there is a reported mismatch between pay and productivity (127$^{th}$ out of 140 countries), and a not so impressive outlook in quality of education (138$^{th}$ out of 140 countries) on the Ease of Doing Business ranking (WEF, 2015).

Some individuals could have access to finance, yet their business might not survive the 'liability of newness' (Stinchcombe, 1965), not growing beyond a particular stage- liability of adolescence (Brüderl & Schüssler, 1990) or be closed for performance reasons within a short period (Herrington *et al.*, 2017). Several reasons could be adduced for performance related challenges, based on the results from the current research. Many of the entrepreneurs may lack the capacity (skill) to '*allocate resources to achieve performance targets*'. A careful evaluation of the negative but not significant influence of skill on relative performance (-0.053, p=0.524) may be more revealing. The implications of these findings portend the existence of a skills gap and poor motivation relative to competition, (many of the entrepreneurs lack the capacity to compete) judging by the negative influence of the need for achievement (LLCI, -0.027) and locus of control (-0.132, p=0.366) resulting in poor relative performance. In addition, satisfaction with performance is curtailed given the seemingly weak influences of self-efficacy and ability. These among other reasons could account for the weak influence of skills on relative performance and satisfaction with performance among other extraneous factors outside the scope of this study. These results could be linked to the findings by the Global Entrepreneurship Monitor (GEM), that two-third of new businesses in South Africa closed for performance related reasons in 2016

[11] Government Gazette No. 39604, January 2016, www.gpwonline.co.za

(Herrington *et al.*, 2017). In addition, the existence of a capacity gap relating to entrepreneurship has consistently been cited in several GEM studies on South Africa (Herrington *et al.*, 2009; Herrington *et al.*, 2011; Herrington *et al.*, 2017).

Consequently, resource allocation to achieve performance targets and management of limited resources by individual entrepreneurs may be a very important and complementary skill-set for the financial performance of SMMEs. If properly harnessed, entrepreneurs will be able to manage limited resources, re-invest profits and enhance the profitability or growth of their business according to the excerpt quoted in section 6.1 above. Therefore, skill is about its effective utilisation in actual business situations by individuals and not about the characteristics of the individuals possessing the skill (Gartner, 1988). It includes '*successful intelligence*', which is comprised of analytical, creative and practical intelligences (Sternberg, 2004). This submission may be linked to the results reported by Baker & Nelson (2005) on bricolage, where entrepreneurs managing resource constrained organisations demonstrated prudent financial management. By extension, Fisher (2012) using effectuation and bricolage theories, argues that actionable opportunities could be viewed from four dimensions of resource constraint, taking action to overcome the constraint, viewing community as a resource for venture emergence and growth, and opportunity for creative innovation. Further, acquisition of some specific skills will require learning-by-doing (on the job) and not only a classroom activity, as indicated by one of the respondents in this excerpt:

> '... I lost my business at the age of 19 and I have lost my business at the age of 24 and then you know but I gained lots of experience going through that...I will tell you I will never be in that position again'

Furthermore, the study also identified that being able to '*connect easily with people*' is an important skill to drive performance in business. This is aptly captured in the excerpt below by a respondent:

> 'I don't think you can remove networking from the others, it's part of performance. If you don't get the referrals, then you don't get order businesses from others, then that's a problem, then you are not performing because you are lacking socially in some way.'

Networking/social skills have largely been linked to opportunities to attract resources to the business (Davidsson & Honig, 2003; Liao & Welsch, 2003). For instance, Liao & Welsch, (2003) argued that, differences in relational configuration could lead to different results between two entrepreneurs with similar structural networks. Therefore, entrepreneurs that can build trust and trustfulness will be able to leverage their network more for business growth. Whereas, Širec & Močnik (2010) found relational social capital as being important but not sufficient for growth. By extension, both results corroborate the current findings, that demonstrated the complementarity and distinctiveness of '*networking/social skill'*, '*customer retention skill*' and '*marketing management skill'* in influencing performance. Put differently, entrepreneurs need to pay attention to developing social capital, service delivery and marketing skills as complementary skills with a view to achieving performance goals according to the following excerpts:

> '…social capital is …one of the most important elements of the game, you need to meet people in order to open certain doors, in order to get some deals,'
>
> 'By keeping the relationship with my customers, I have been able to now start getting stronger financially.'
>
> 'The relation that you keep with your customers makes you sell more...'

Therefore, social capital will be most beneficial when complimented with marketing, technical, service delivery/customer retention, time management and innovation/new products development skills. Therefore, entrepreneurs running a financial performance-oriented business will need such complementary skill sets for many reasons, to maximise network utilisation, to attract and retain customers, and to deliver quality service. Such skills are necessary without prejudice to the existing trusts within the network configuration, as people may demand value for their patronage, time and trust. Importantly, these submissions could be linked to what Baron & Markman (2003) described as 'social competence' (accuracy in perceiving others, skills of impression management and persuasiveness), rather than social capital, that influences the financial success of a business.

Generally, attempts have been made in the domain to develop the key entrepreneurial and managerial attributes necessary for business growth (Baum *et al.*, 2011; Chandler & Hanks, 1994; Chandler & Jansen, 1992; Sexton & Bowman, 1985), none has come to be accepted as a unifying framework to assess the skills of entrepreneurs, even though scholars are in agreement as to the varieties of skills required to function well in an entrepreneurial setting. Nonetheless, the study made an attempt to highlight the important skills necessary for enterprise performance, and the findings could be aligned with several other studies that amplify the importance of cognition, especially those that laid emphases on entrepreneurial experience (Stuart & Abetti, 1990), emotional intelligence (McLaughlin, 2012), entrepreneurial, managerial and technical-functional roles (Chandler & Jansen, 1992), and previous learning and intelligence (Baum & Bird, 2010; Baum *et al.*, 2011).

From the research conceptualisation, skills provide the basis for what people do, especially when combined with motivation (McClelland, 1985). This partly explains why people with similar knowledge and skills could have different outcomes according to Bandura, (1993), due to differences in motivation/ability. This position reinforces the behavioural approach utilised in the study, with the possible interactions of several related variables that will be explained in section 6.3. The next section discusses ability as a distinct cognitive factor influencing financial performance.

### 6.2.3 Ability Influencing Financial Performance

Another important finding that stems from the structural model, is that ability influences financial performance among SMMEs in South Africa (0.016, p=0.046). In addition, ability also shows a positive but not significant relationship with relative performance and satisfaction. However, in the case of satisfaction with performance, the results approached the significance of p=0.064 (though not significant). These results can further be linked to the direct effects model, that indicates the significant relationship of ability across all measures of enterprise performance (financial, relative and satisfaction). The study examined six distinct entrepreneurial abilities such as: '*to handle things based on past experience'*, '*effectively and efficiently combining resources to achieve performance targets'*, '*initiating and developing products and services that are technically superior*', '*recognising the needs of a changing environment*', '*high level*

*financial management ability for competitive advantage*', '*high internal drive to see the venture to fruition and success*'.

From the research conceptualisation and measures, ability is the quality of being able to effectively and efficiently engage in business activities. It can be aligned to Bandura's (1993) description of a generative capability, requiring the effective deployment of cognitive, social, motivational and behavioural skills, to serve several purposes. The findings regarding an ability in influencing financial performance also align with studies that have found a significant relationship between specific individual characteristics and performance/success/growth (Baum *et al.*, 2011; Begley & Boyd, 1987; Berthelot, 2008; Chandler & Hanks, 1994; Collins *et al.*, 2004; Ericsson & Charness, 1994; Lee & Tsang, 2001).

Few studies (Baum *et al.*, 2011; Chandler & Jansen, 1992; Davidsson, 1991; Lee & Tsang, 2001; Stuart & Abetti, 1990) have identified experience as an important resource for entrepreneurial actions and as a precursor for positive performance outcomes. Davidsson (1991) viewed ability as education and experience. Experience has been found to significantly influence venture growth (Lee & Tsang, 2001). The current findings on the influence of experience and also ability, align with these previous studies. Being able '*to handle things based on past experience'*, and '*effectively and efficiently combining resources to achieve performance targets'* as dimensions of ability in the current research, are key resources to distinguish capable entrepreneurs from others, and the impact on the financial performance of the firm. Those who are able to draw from experience are more likely to endure temporary contextual challenges as they are more able to know from experience that certain situations (whether socio-political or economic) are just a passing phase. In addition, entrepreneurs who have experience are also able to work around arbitrary bureaucracy and other forms of 'institutional voids' according to some studies focusing on emerging economies (Khanna *et al.*, 2005; Welter & Smallborne, 2011). The findings regarding the influence of ability influencing financial performance, is in congruence with Lee & Tsang (2001) that found both industrial and managerial experience as the most dominant factors influencing venture growth.

Also, achieving performance targets may require that entrepreneurs are able to demonstrate a consistent and sustainable capability for achievement. While some entrepreneurs can gain some *practical core* experience that may translate into ability while working in their parents' and/or

close relations' businesses (Hout & Rosen, 2000), some individuals might not be privileged to learn under the tutelage of their parents or relations, but rather acquire managerial ability through other means. For instance, in the post-apartheid era in South Africa, it should be expected that, the children of politically and economically deprived individuals during apartheid (SAIRR, 2007; Steekelenburg *et al.*, 2000), might have lost the opportunity to develop certain entrepreneurial capability before adulthood. It thus corroborates the disadvantage theory, that emphasises that, individuals who lack resources (including quality education, access to good health and finance) are less likely to create viable businesses (Light & Rosenstein, 1995). More often, previously disadvantaged groups on socioeconomic variables usually enter low-barrier and low-yield businesses with limited capital, knowledge, skill and ability. Therefore, a lack of critical resources according to Boyd (2000) constrains growth and business viability.

However, such submission may not be true in all circumstances and situations. Existing evidence indicates that some previously disadvantaged group members could overcome social-economic barriers and create viable businesses (Boyd, 2000; Stone, 2012). Also, in the current study, those whose parents never owned a business performed better across all performance indicators. Although, further research may be required to shed light on the underlying factors, the outcome might have been influenced by the acquisition of university education or a higher degree, previous managerial experience (outside of parents' or relations' business), locational advantages, strong desire for achievement (nAch), risk-taking propensity, skill, and ability that were also found to influence financial performance in the current study. This submission is aptly captured in this excerpt:

> '… I think also being in a management position prior to starting up [business], I think gives me some kind of leverage, in terms of, I understand how businesses work from its operations, to human resources and finances and I understand the linkages between those three because those are things that actually makes a business to work…'

In other words, knowledge, skill and ability are learnable, and are not innate. Further, the ability to effectively run a business, can be acquired through practice and experience over time regardless of the circumstances of birth and parental career path/background. This conclusion further corroborates the concept of *'marginal'* individuals (Baumol *et al.*, 2011), who work

harder in their business, to compensate for what they lack in education. It is also in consonance with Ericsson & Charness's (1994) submission about the effects of 'extended deliberate practice' of an 'expert'. Which means, for anyone who desires to become an 'expert' in any field of human endeavours, there is a need for such an individual to embark on 'extended deliberate practice'. Such a view corroborates the findings by Stuart & Abetti (1990) that the competence gained while running a business is more positively impacting on the performance than going to university in pursuit of a higher degree. Practical experience holds similarities with the current research according to this excerpt:

> '… you learn whatever you want in the universities and high schools, but it teaches you how to be a good employee, but when you become an employer, you realise that education, it helps you come to a random sense, but it doesn't help you to deal with where you are taking in your vision... I will say to you 70 per cent of everything I have learnt, known, I learnt it in the field'

Practical experience gathered as part of the learning curve is categorised as a skill in this study, whereas the 'capability to run the business...' or 'adapt' the previous skills, is a demonstration of ability, manifesting as domain competency, technical or adaptation abilities. In other words, practical experience acquired through managing a business, may be rewarding in terms of performance outcomes and by competency development. This resonates with the findings by Baum *et al.* (2011) reporting that, performance-oriented entrepreneurs with practical intelligence comprising concrete experience and active experimentation, are more likely to run rapidly growing ventures.

Furthermore, financial success is driven by a transformed knowledge, in the form of skills and ability. Ability is therefore a 'deliberate practice', 'expertise', and about how knowledge and skills are 'structured' to take advantage of business opportunities in the growth trajectory (Baron & Ensley, 2006; Ericsson & Charness, 1994; Krueger, 2007). When entrepreneurs act on opportunities based on knowledge and skills, ability brings the action to a superior outcome. In other words, an entrepreneur with the requisite ability must be able to recognise *'the needs of a changing environment*'. The ability to recognise the needed changes in business may require acting proactively on one's business model, products and services offerings, including key industry dynamics, and where necessary the adoption of new and emerging technology. Such

abilities spur creativity and innovative behaviour according to Drucker (1985). Innovative behaviour is a complementary skill to recognise the needs of a changing environment according to the research outcome in this excerpt:

> 'Understand the environment that you are dealing with, being able to compete with the best, coming up with new products that will sustain the business, venturing into other industries that your peers do not operate in. So, basically changing the strategy of the business and marketing skills are very important in order to attract clients'

In other words, '…coming up with new products that will sustain the business…', when practiced over time, it is expected to become a habit that spurs entrepreneurs into '*initiating and developing products and services that are technically superior*'. This is a vital ability that turns innovative skills into 'expert' behaviour. This dimension of ability is captured in these words by one of the respondents: '*One will obviously need to have technical ability'.* Such behaviour manifests as domain competency, which according to the responses received during the interviews can be interpreted as the 'capability to run the business', being 'good in your job' and being 'ahead of competition'. Furthermore, being an 'expert' in a field (including entrepreneurship) means that one has the capability to do things differently to excel (Baron, 2006; Baron & Ensley, 2006; Ericsson & Charness, 1994; Krueger, 2007).

In addition, adaptation ability will be quite important to respond to *'the needs of a changing environment*'. According to the findings, being able to identify opportunities, innovation, new solutions to problems ahead of their occurrence and being realistic about contextual dynamics are all pertinent abilities that can bring financial advantage when properly applied. The following excerpts illustrate these submissions:

> 'Your achieving business goals as an entrepreneur is really about hard work and great perseverance [pause], so you are never going to have a smooth sailing, nothing is going to work out 100 per cent of their time, but if you are able to identify problems quickly, quickly add a solution to them quicker, then you would be able to succeed '

The submission about 'hard work and great perseverance' aligns with Ericsson & Charness (1994) findings that physiological adaptations are key characteristics of an elite performer. Also, the findings regarding vicarious learning and managerial experience influencing performance

(refer to section 6.5 below) hold similarities with the findings that emphasise that, the process of becoming an outstanding performer, starts early in life through supervised practice, increasingly maintained daily for over a decade (Ericsson & Charness, 1994). Similarly, in the current study, managerial experience gained within a reasonable period of ten years influenced enterprise performance. Also, another way of demonstrating adaptation ability, is to apply previous knowledge and skills acquired in one industry, in another business sector or industry. Such capability was revealed by a respondent, who acquired managerial skills in the Construction Industry under the tutelage of his father, but now owns an entertainment business, where he successfully adapted the previous knowledge and skills.

Despite its importance, some entrepreneurs in this study were either lacking in the capacity to enable '*initiating and developing products and services that are technically superior*' or unable to effectively utilise such capacity to gain a competitive advantage as the results indicate in relation to the weak positive effects of ability on relative performance (0.038, p=0.626) and by extension satisfaction with performance (0.158, p=0.064). If ability could not influence relative performance, it could also mean that, the SMMEs are lacking in capacity to innovate and compete. This is in consonance with previous findings about South Africa, being among the countries with the lowest high expectation entrepreneurial activity (Bosma & Levie, 2009).

Furthermore, '*high level financial management ability for competitive advantage*' may be required to run a performing business in an efficiency driven economy like South Africa, where financial market is well developed (WEF, 2015). Importantly, an ability to manage sales revenue, finances and cashflow were identified by the respondents as crucial to business performance. The field results further established a connection between enterprise performance and financial management regarding cost reduction, profitability, and quality delivery. In other words, financial management capability can safeguard the business from avoidable penalties (due to regulatory compliance), loss of revenue (due to efficient cash flow management), that ensures resources are available to take advantage of emerging opportunities, and management of income and expenditures. Where such capability exists amongst the decision makers, there is a high probability that such an organisation will do well financially. This submission aligns with other findings which have established a linkage between the availability and management of financial resources and organisational performance/growth (Baker & Nelson, 2005; Falkena *et*

*al.*, 2001; World Bank, 2001). Therefore, the capability of key decision makers in business to allocate or manage finances is vital for business performance.

In addition, financial systems development in a country targeted at entrepreneurship, aids the decision of entrepreneurs to allocate efforts towards high-growth activities according to Bowen & De Clercq (2008). As the results and discussions indicate, superior financial performance is an outcome of persistent practice, experience, financial systems development (that aids allocation of efforts) and the capability of an 'expert'. It is both ethnic and gender neutral. Therefore, having the requisite ability of an 'expert' gives a strong sense of capability to achieve financial performance in business in a useful, practical and realistic manner.

At the core of entrepreneurial endeavour is the determination of an entrepreneur to drive the business from the perspective of success and sustainability. Therefore, having a '*high internal drive to see the venture to fruition and success*' was examined as a key component of ability. Internal drive is at the heart of entrepreneurship where individual roles as key decision maker and performance driver are central to achieving performance goals according to these excerpts:

> '… it's the individual, you need to be someone who will be able to push through any situation, so it's more of personality and your attitude towards everything'

> '… it comes from the individual, from yourself, if you have drive, you can do it, yeah.'

Having a drive is vital to successful entrepreneurship and business growth. It is in tandem with the idea of *successful intelligence*, which connotes multiple abilities that stimulate entrepreneurs into generating new innovative ideas that are distinctively useful and practical (Sternberg, 2004). Drive as conceptualised in this study aligns with the definition, that laid emphasis on four distinct aspects including ambition, goals, energy and stamina that are largely driven by self-efficacy and the love of doing it (Shane *et al.*, 2003), but in addition, the cognitive ability required *'...to see the venture to fruition and success*'. Though with a slightly different approach and definition, it holds similarities with studies that have utilised 'entrepreneurial intensity' as an important predictor of company growth (Širec & Močnik, 2010). While Širec & Močnik (2010) operationalised 'entrepreneurial intensity' as a non-psychological motivation factor, the current study views drive broadly as a component of ability. Therefore, the drive to achieve performance

targets and to also see the business to success requires physical effort, motivation and cognitive ability.

In sum, the study was able to identify the distinct abilities required by entrepreneurs, it also developed and validated a measuring scale for these dimensions. Specifically, the study established a link between ability and the financial performance within the broad behavioural model and each of the indicators of enterprise performance directly. The study therefore added to the emerging trend of bringing individuals to the centre of entrepreneurship research and confirmed the distinctiveness of cognitive ability and the influences on different measures of performance. Further, the findings added to the growing ideas and evidence that entrepreneurial cognition differs across persons (Baron, 2006; Baron & Ensley, 2006; Krueger, 2007), and specifically within an emerging economic context.

### 6.3 Entrepreneurial Behaviour and Enterprise Performance

One of the fundamental questions of the thesis was: *What impact would the combined influence of motivational and cognitive factors have on enterprise performance*? The question was premised on the understanding that entrepreneurs differ in their behaviour to the extent that, there are differences in their motivation and cognition, and these differences have differential impact on the performance outcomes they obtain. The main theoretical proposition that behaviour occurs due to the interactions of motivational and cognitive factors received confirmation in this study. The behavioural variables of motivation and cognition in combination led to some specific performance outcomes of financial, relative or satisfaction with performance.

The combined influence of risk-taking propensity, need for achievement, locus of control, skill and ability on financial performance generated the widest behavioural combination. Financial performance according to the findings, is realised when these motivational and cognitive characteristics are effectively deployed by entrepreneurs towards achieving their financial goal in business. While perception of opportunities differs among entrepreneurs, motivation to take actions on insights, capability and cognitive resources also differ (Shane & Venkataraman, 2000).

From the societal perspective, there is increasing emphasis on the performance of SMEs given their potential for job creation, contribution to GDP and fiscal responsibility, because it is only a performing business that can pay tax, create jobs and contribute to the growth of an economy. The reality is that, entrepreneurs can only give what they have, their decisions and actions are based on their motivation and cognition according to the results. Consequently, the performances in small businesses are often intertwined with and dependent on the motivation and capacity of the owners (Carsrud & Brannback, 2011; Herron & Robinson, 1993; Johnson, 1990; Rauch & Frese, 2007; Sanberg, 1986; Shane *et al.*, 2003; Solymossy, 1998). Furthermore, an entrepreneurs' role is vital in the business development process, and behaviour is an important part of the decision-making process that generates performance. This behavioural perspective aligns with previous studies that have conceptualised behaviour based on the joint influence of some specific factors of motivation and cognition (Ahmad, 2007; Ahmed, 1985; Baum & Locke, 2004; Chandler & Hanks, 1994; Chandler & Jansen, 1992; Cools, 2008; Davidsson, 1991; Herron & Robinson, 1993; Kozan *et al.*, 2012; Lee & Tsang, 2001; Solymossy, 1998; Urban, 2010).

This perspective is in congruence with the submission that all activities geared towards making a business successful are behavioural, including business creation and other related decision making (Rauch & Frese, 2007). Given the negative influence of the perception of internal locus of control and weak ESE in the structural model, though this is surprising, there are few explanations and implications for behaviour and enterprise performance. Firstly, there is a possibility that most of the respondents were 'externals', as against the research assumption that they were likely to be 'internals'. If this is the case, it has implications for performance achievement, project development and execution, and management capability, given an indication that, entrepreneurs were either not taking charge of their business (due to planning and execution gaps) or readily blamed others for their failures. Secondly, they might be 'internals', yet could not make their plans work due to lack of capacity, poor stakeholder support or other systemic challenges beyond their current capacity (such as non-supportive socio-cultural or economic contexts, as revealed in the analysis of the moderation effects). Thirdly, inadequate business development support services or poor attitudinal approach to seeking support, to bridge gaps where they exist, before they have an irreversible negative influence on performance. Fourthly, most of the entrepreneurs may lack the requisite knowledge that could help in

managing uncertainties surrounding plans execution (Sexton & Bowman, 1985). These and other issues in relation to behaviour, might account for the negative influence of locus of control on financial performance and satisfaction.

Those who lack critical capability and have self-doubt, are likely to be risk averse (Busenitz, 1999). Whereas people who have self-confidence, and are in control to make their plans work, are likely to have a higher propensity for risk than others, because it is only a motivated individual that can take a risky avenue to achieve business growth according to Liao *et al.* (2001) . Given that the perceptions of ESE and locus of control are either weak or negatively impacting, the perceptions of the need for achievement and risk-taking propensity may be crucial for achieving financial performance in business. The behavioural attributes for both characteristics are mutually reinforcing according to previous studies (Bandura, 1986; McClelland, 1961; McClelland, 1965a; McClelland, 1987). Entrepreneurs in this instance, will have behavioural attributes of aiming to reach the desired level of results that brings satisfaction, willing to persist, having goal-orientation and motivation to take risk. Such behavioural attributes align with the findings on the need for achievement (Collins *et al.*, 2004; Johnson, 1990; Lee & Tsang, 2001; McClelland, 1961; Rauch & Frese, 2007), and risk-taking propensity (McClelland, 1961) reported to have positive influence on business outcomes.

However, given the enormous responsibility associated with risk-taking, entrepreneurs require not just motivation to take risks but also the cognitive capability that turns the risk-taking propensity into a rewarding experience both in terms of the opportunity cost of the risk and the actual performance of the business (reward for taking risk). This is particularly important because risk taking when it results in failure, may mean that entrepreneurs will sacrifice their personal and family welfare, including the psychological trauma of lost investment, time and career opportunities (Brockhaus, 1980a). Despite the significant influence of the perception of need for achievement, but a weak ESE, a negative internal locus of control and a non-significant knowledge base may mean that entrepreneurs in this study will have a cautious approach to risk-taking. This submission aligns with the results reported by Palich & Bagby (1995), that entrepreneurs even though not risk-averse may not take excessive risk without careful cognitive evaluation. Careful evaluation of business related decisions and actions may be relevant in an

emerging economy, where risk and uncertainty are expected to be high due to economic, political and institutional variables (Xu & Meyer, 2013).

Cognitive evaluation brings us to the behavioural relevance of skill and ability as found in this study to influence the financial performance in combination with some identified motivational variables. Previous studies have identified some specific capability or competencies capable of influencing venture performance or growth. Similar to the results obtained by Chandler & Jansen (1992) on entrepreneurial skills, the current results, given that the combination of key characteristics of nAch, risk-taking propensity, locus of control, skills and ability, support the influencing role of behaviour in shaping the course of actions to take regarding opportunity exploitation with a view to developing products that are technically superior, possessing the technical ability and the drive to see the venture to fruition and success. The capabilities and motivation to act on opportunity, corroborate the results obtained by Baum *et al.* (2001) regarding the influence of specific competencies of industry and technical skills respectively, as a demonstration of practical skill, service delivery skill, domain competency, technical ability and relevance of business experience in the current study.

However, the lack of significant influence of ESE in the behavioural approach (structural model) is contrary to the preliminary findings by Mair (2005), suggesting ESE, as a powerful predictor of entrepreneurial behaviour capable of providing important linkages with skills and ability. In the current results, ESE was too weak to have a behavioural (structural) relationship with skill and ability, despite its positive and significant influence on financial performance and satisfaction with performance in the direct model. Whereas, according to Bandura (1993), the presence of ESE should explain skills substantially. Therefore, a weak ESE as revealed in the structural model could account for the weak influence of skills and ability both in the relative performance and satisfaction with performance. In other words, those who lack self-efficacy are likely to have self-doubt, this will constrain their propensity for risk and limit their capability to compete with others in the same industry, they may also experience less than optimal satisfaction with their career due to poor performance.

Similarly, the results of the perception of internal locus of control are contrary to some other findings with a positive influence of internal locus of control on performance outcomes (Berthelot, 2008; Brockhaus, 1980a, 1982; Lee & Tsang, 2001). Whereas McClelland (1961)

expects people with a high nAch to have a higher internal locus of control, this is not the case in the current study, despite the significance of nAch and the risk-taking propensity. However, some studies identified an internal locus of control as a distinguishing characteristic between business owners and managers (Ahmed, 1985); while some others found no significant difference between those who own their business and those employed to manage it (Begley & Boyd, 1987; Chen *et al.*, 1998). While these mixed results are suggestive, the current study did not compare entrepreneurs with non-entrepreneurs for two reasons. To avoid clarity problems regarding ownership and management (Shane *et al.*, 2003) and to focus on owners with decision making authority. This is particularly helpful to make entrepreneurs the central focus of research in an emerging economy and to advance the evolving domain of entrepreneurial behaviour in Africa.

The influence of the motivational factors of nAch and risk-taking propensity, locus of control, skills and ability on financial performance could be further interpreted, that behaviours are neither unconsciously determined nor innate personality traits (Bandura, 1986; Ericsson & Charness, 1994; McClelland, 1985). In other words, behaviours are conscious efforts made towards achieving the set goals and are learnable. This submission agrees with McClelland (1965a), that the behavioural characteristics of achievement orientation can be developed with feasible results. Importantly, knowledge was positive in the structural model across all performance indicators, but with significant influence only in relative performance and satisfaction with performance.

There is increasing interest in a multiple perspective by utilising both motivational and cognitive factors (entrepreneurial behaviour) to address different entrepreneurial outcomes of interest (Davidsson, 1991; Herron & Robinson, 1993; Sanberg, 1986; Širec & Močnik, 2010; Solymossy, 1998). Furthermore, skill and ability have been found to be highly influential both in running a successful business and in entrepreneurship as a career (Baum *et al.*, 2001; Chandler & Hanks, 1994; Chandler & Jansen, 1992; Davidsson, 1991; Penrose, 1959; Shane *et al.*, 2003). With this in mind, entrepreneurs are expected to take business related decisions and actions that generate performance given their capacities. Furthermore, the need to appropriately capture the diverse needs of entrepreneurs, may require multiple perspectives regarding performance according to Murphy *et al.* (1996). Therefore, the multidimensional approach to performance measures in the

current study was based on the increasing interest in such an approach among entrepreneurship researchers (Chandler & Hanks, 1993; Lumpkin & Dess, 1996; McLaughlin, 2012; Murphy *et al.*, 1996; Solymossy, 1998).

While the debate on opportunity recognition and action may appear unsettling (Erikson, 2001; Shane & Venkataraman, 2000, 2001b; Singh, 2001; Zahra & Dess, 2001), but being effective in what one does in business according to the current results, requires key motivational characteristics in moderate combination with skills and abilities. For instance, running a successful business require skills relating to money and people management, outstanding leadership skills that attracts and motivates, resource allocation skills to achieve performance targets and high-level networking skills both for support and capacity building. In terms of ability, entrepreneurs that will make a significant financial success must be able to utilise experience appropriately, combine resources to achieve performance targets, initiate and develop products and services that are technically superior, recognise the needs of a changing environment, possess high-level financial management ability for competitive advantage, and have a high internal drive to see the venture to fruition and success. According to Sanberg (1986), taking effective action leading to performance requires that, entrepreneurs have both motivation and capability, and to also be able to motivate others to act in a similar manner.

The important highlight of the findings is the constancy of the combination of motivational and cognitive factors (entrepreneurial behaviour) in generating specific performance (be it financial, relative or satisfaction). The findings align with the social cognitive theory (Bandura, 1986), and confirms its relevance as a theoretical framework to study entrepreneurial characteristics in emerging economies and Africa. The findings have shown the fruitfulness of the behavioural approach to the study of entrepreneurial characteristics and confirms that, neither motivation nor cognition alone can generate the desired substantial performance in business, the best result will be obtained using combination approach. Importantly, the approach and the results have added to the growing answers to the question: *why are some entrepreneurs performing better than others?* The answer in the light of the current results indicate that, behavioural characteristics of motivation and cognition differ, access to and action on contextual opportunities, support and information also differ among entrepreneurs, therefore performance outcomes will differ.

### 6.4 Context Moderating Key Variables of Entrepreneurial Behaviour and Performance

Another theoretical proposition is that behaviour (as conceptualised) is moderated by different institutional contexts, that influence the direction of impact of behavioural factors on enterprise performance. Therefore, the question to address this is: *To what extent do economic, socio-cultural and political contextual factors moderate the relationship of motivation and cognitive factors on enterprise performance*? The context was used as moderators and operationalised to determine the extent of its 'influence' on the relationship between the focal dependent and independent variables. This approach is different from McLaughlin's (2012) that viewed the environment in terms of how it mediates the relationship between dependent and independent variables. Also, it differs from some other approaches to context in previous studies that utilised a multidimensional approach to measure performance or success (Chandler & Hanks, 1993; Solymossy, 1998). Furthermore, compare with other studies that utilise venture growth broadly, Lee & Tsang (2001) utilised firm size as a moderator, and in Chandler & Hanks, (1994), both entrepreneurial and managerial competencies were used as moderators of the relationship of the quality of opportunity and organisational resources independently with venture performance.

The key benefit of the approach in the current study is that, the influencing role of the context is amplified along political, economic, and socio-cultural variables in line with the GEM recommendations and within the interaction terms. This approach is relevant to theory development and specific to entrepreneurship circumstances to which business owners could relate and understand**.** In addition, the institutional context has been widely canvassed (Carsrud & Johnson, 1989; Davidsson, 2008; Gartner, 1989; Shane *et al.*, 2003). Given this approach, it is therefore possible to clearly understand, aspects of the context that have the most influence on performance in any given behavioural combination and those that needed to be focused for business development interventions.

The high point of the findings is that, the individual motivational characteristic of risk-taking propensity was the most prominent characteristic under different contextual circumstances and performance outcomes, followed by the need for achievement and then the internal locus of control. Also, the cognitive factors of skill exerted the most influence within the interaction terms, including the moderator in relation to performance outcomes, followed by ability and then knowledge. Furthermore, when the moderating variables were introduced to the relationship of

the risk-taking propensity and indicators of enterprise performance, all institutional factors reported negative moderating effects. This is an indication of the sensitivity of South Africa entrepreneurs to the dictates of the context, in determining the level of risk-taking and their capacity to manage the negative effects of context. Whereas in the structural model (before the application of interaction terms), the positive influence of risk-taking on enterprise performance was obvious. It is therefore imperative that capacity building and support systems that will minimise the level of risk aversion, boost confidence in the economy, aid planning and project execution will be required.

The findings characterised the entrepreneurs as being rational and purposive in their risk-taking according to the normative socio-cultural, political and economic dictates in the country. Though the sensitivity of the entrepreneurs while not totally surprising, tends to align with studies that viewed entrepreneurs as moderate risk-takers with a high need for achievement and locus of control (McClelland, 1961). Within the broad spectrum of moderation in risk-taking, many of the entrepreneurs may be risk-averse given the poor perception of the institutional context concerning issues of inflation/recession, loss of trust in government, challenges of getting mentorship for learning and support across gender and ethnic divides, lack of a skilled workforce, poor government support, non-tariff barriers to trade (xenophobia), exchange rate challenges, the high costs of doing business and bureaucracy as revealed in the study (refer to Chapter Five). For a country that desires increasing private sector activities from SMMEs, given the low TEA in the past years (Herrington *et al.*, 2009; Herrington *et al.*, 2017), the need for improvement over political and economic contexts is evident. This is necessary, because risk-taking is an important ingredient for performance, efficiency, productivity improvement, economic growth and as a fundamental premise for business founding and survival.

Furthermore, some of the findings are surprising. Knowledge did not influence financial performance of the firm, it was skill and ability that did. The outcome points to the fact that the acquisition, utilisation and relevance of cognitive factors of knowledge, skill and ability under different contextual situations is not a linear, orderly process but rather needs-based and largely depends on the performance goals of the entrepreneurs. This supports the idea of situationally applicable skills development (Baum *et al.*, 2011). It signifies the importance of skills and ability in driving the financial goal of business, given that ability is induced by training, practice and

experience. The entrepreneurs in this study appeared to have more skills, but limited ability and knowledge. Ability was influential only in suitable economic context to drive financial performance and knowledge was not. But, skill appeared to be relevant to all performance outcomes and positively influential under socio-cultural and political contexts. However, ability was not strong enough to minimise the negative influences of the socio-cultural and political contexts in addition to a weak entrepreneurial self-efficacy. Having the inner drive is a necessary ability to drive performance, but when this is weak or entrepreneurial self-efficacy is lacking or too weak to influence key performance indicators in an unfavourable context, performance suffers.

Similarly, knowledge was too weak to influence financial performance in unfavourable economic and socio-cultural contexts, and weak to influence the negative effects of the political context on financial performance. These are clear indications of capacity gaps in the system on the one hand, and not so encouraging socio-cultural and political contexts that could positively support utilisation of knowledge and ability and economic context to nurture the influence of skill on the other hand. These findings corroborate previous findings on the weak capacity of SMMEs owners in South Africa (Herrington & Kew, 2016; Herrington *et al.*, 2017; Kelly *et al.*, 2016) and serves to confirm the weak knowledge base most entrepreneurs will have to grapple with, in running their business. While the basic knowledge is fundamental, the findings point to some specific knowledge necessary for business performance to include, knowledge about finance, regulation, networking and continuous professional development (CPD).

In sum, the applications of simple slopes and the Johnson-Neyman (J-N) technique offered improved methodological approach to the analyses of the moderator effects with both practical and policy implications. The J-N technique offers the opportunity to predict the influence of the moderating effect over time and to determine the ideal levels where interventions could be most appropriate. The J-N technique is an improved methodological approach to assess the moderating effect over the simple slopes compare with other studies (Ahmad, 2007; Berthelot, 2008). The findings regarding the interaction terms, are in line with the basic tenets of 'causation theory', that emphasises bi-directional influences and reciprocality, though not without some limitations. However, the study confirmed the relevance of SCT and by extension

multidimensional interaction terms within the domain of entrepreneurial behaviour in South Africa.

### 6.5 Other Drivers of Enterprise Performance

Importantly, beyond personality characteristics, other drivers of performance worth highlighting include, having parents who are business owners and could be a good source of knowledge and skills acquisition, but does not confer superior financial advantage over those whose parents never owned business. This deviates from the schools of thoughts that emphasise the negative effects of certain disadvantaged backgrounds on business outcomes (Boyd, 2000; Fairlie & Robb, 2006; Light & Rosenstein, 1995), rather it supports studies that advance the relevance of hard-work (Baumol *et al.*, 2011; Stone, 2012), sacrifice (Kozan *et al.*, 2012), and capability (Baum & Bird, 2010; Baum *et al.*, 2011; Baum & Locke, 2004) as important success factors in business. This does not remove the fact that, the Black majorities are disadvantaged in certain economic configurations (Herrington *et al.*, 2009; SAIRR, 2007; Steekelenburg *et al.*, 2000), it demonstrates that some entrepreneurs overcome some limitations through hard-work, sacrifice, capacity, support from other sources apart from family and friends, mentorship and a clearly defined vision. Similarly, South African indigenous entrepreneurs recorded better financial performance than migrant entrepreneurs. Though, the result is not in tandem with the findings from other countries across the globe with significant migrant business ownership and performance (Neville *et al.*, 2014; Xavier *et al.*, 2012). However, the result demonstrates two important outcomes: the peculiarities of the South African context (a mixture of entrepreneurs with capability and not so capable, those who enjoyed preferential support from government and those who are perceived to be advantaged by racial classification); and preliminary evidence suggesting that, some of the previous efforts might be yielding results (DTI, 2006).

Further, the relevance of a university degree, age and managerial experience from parents' business or elsewhere were all found to influence performance in different dimensions in line with situationally applicable experiences (Baum *et al.*, 2011; Baum & Locke, 2004). However, one important highlight of the current findings is to understand when such experience is most beneficial, compensatory and sustainable. Consistently good performance from entrepreneurs between 18 and 45 years corroborates other findings that situate higher business growth at the middle age (Autio, 2007; Herrington & Kew, 2016; Morris, 2011). Though managerial and

family business experience are most impactful after 20 years, the net benefit across performance indicators between 11 and 20 years is quite limited. This is an ideal start-up period for those with managerial experience, as the experiences could be compensatory for start-up skills development and hands-on experience that can be very rewarding later. Additionally, there are higher level performances across all indicators by the senior entrepreneurs[12] (aged >60 years). This represents an interesting insight into the dynamics of small business development, capacity building and performance. It points to salient resources available to the society in senior entrepreneurs, since most interventions are usually skewed in favour of the youths and women (DTI, 2006; OECD, 2012a). Also, this finding is in sync with a recent GEM report (Schott, Rogoff, Herrington, & Kew, 2017).

Finally, the finding regarding the stage development to internationalise is a boost for regional and intra-African trade and is in congruence with the African Union (AU) declaration and action plan to boost intra-African trade, currently estimated between 10-12 per cent (AUC-ECA, 2012). It is also in line with the letter and spirit of South African Trade Policy and Strategy Framework with the broad objective: "Trade with Africa is more than just an opportunity for South African commercial interests; it must advance a wider developmental agenda across the continent." (DTI, 2010, p. 23). These findings are worthy of further considerations and the implications will be presented in the next section.

### 6.6 Chapter Conclusion

The chapter has discussed the findings in line with the research questions and specific objectives of the study. Specifically, both direct and structural models were the two approaches utilised to examine the motivation of entrepreneurs (section 6.1) and cognition of entrepreneurs (section 6.2). Further, the behavioural model involving the structural relationships of variables of motivation, cognition and performance was discussed (section 6.3). This was followed by the discussion of the results of the interaction terms regarding the moderation effect of context in the relationships among individual variables of motivation and cognition on different measures of enterprise performance: financial, relative and satisfaction (section 6.4), as well as other drivers of enterprise performance (section 6.5).

[12] Terminology adopted from GEM Special Topic Report 2016-2017: Senior Entrepreneurship (Schott, *et al.*, 2017)

From the direct effect and structural models, motivational factors of risk-taking propensity and need for achievement were found to have positive significant influence on financial performance while the influence of locus of control on financial performance was negative. Specifically, the findings regarding need for achievement on financial performance and satisfaction revalidate Lee & Tsang's, (2001) study, and extend Berthelot's (2008) findings respectively in the structural model. Similarly, qualitative evidence also confirms motivational variables of risk-taking, existence of opportunity, passion and their influence on successful entrepreneurship.

Further, within the structural model, the cognitive factors revealed positive influence of knowledge on relative performance and satisfaction, as well as, the influence of skill and ability on financial performance.

In general, the combined influence of risk-taking propensity, need for achievement, locus of control, skill and ability on financial performance is a boost to the behavioural approach in this study, best described as *combination characteristics*. Whereas, context generally (socio-cultural, political and economic) appeared to diminish the positive influence of risk-taking propensity on all performance indicators in the interaction terms. This tends to characterise entrepreneurs in this study as moderate risk-takers with limited capacity to cope with the negative influence of institutional contexts. Similarly, the discussion indicates entrepreneurial behaviour characterised by need, desire, passion as well as propensity for risk taking, but with not so supportive political and economic contexts.

Finally, influential role of business experience, scope of business, parental background, age and education on enterprise performance were also discussed with implications for policy and practice.

The discussions in this chapter inform the managerial and policy recommendations, and conclusion of the study in Chapter Seven.

# CHAPTER SEVEN

# CONCLUSIONS AND RECOMMENDATIONS

This chapter is the concluding chapter of the thesis and is divided into six sections. Section one presents the summary of findings in line with the research objectives. The contributions and policy implications of the study ooutcomes are presented in section two while recommendations are made in section three. Section four addresses the limitations of the study and some frontiers for future research are discussed in section five. Section six presents the conclusion.

## 7.1 Summary of Findings

In addition to addressing the research questions and operationalising the research framework developed through the literature, the study has come up with several significant and interesting findings that are worthy of emphasis. The most significant outcomes are summarised in this chapter in line with the following specific objectives of the study:

- *describe the patterns of enterprise performance among small businesses (in relation to individual and business factors),*
- *investigate the influence of individual motivational factors on enterprise performance,*
- *investigate the influence of individual cognitive factors on enterprise performance,*
- *examine the joint influence of motivation and cognitive factors on enterprise performance,*
- *examine to what extent contextual factors (socio-cultural, political and economic) are significant moderators of enterprise performance.*

### 7.1.1 Individual Background and Business Factors Influencing Enterprise Performance

The first objective of the research is to analyse the influence of individual background and business factors on enterprise performance. The findings underpin the relevance of some specific variables such as gender, parental background, education, ethnic nationality, experience, location of enterprise, scope of operations, as important factors influencing enterprise performance. Given the importance of ideal location to business performance, geographical location was found to confer dissimilar but consistent impact on enterprise performance. For instance, enterprises located in Cape Town, had the highest mean scores in financial, relative and performance

satisfaction. The findings point to the fact that, context matters to performance and suitable context confers consistent benefits across all performance indicators. This is in tandem with previous studies on the influence of the location of a small business on economic opportunities (Falkena *et al.*, 2001; Kala & Guanghua, 2010).

Another major flash point is the importance of the spread of business operation on performance, a network of business operations nation-wide confers differential advantage across all indicators of enterprise performance. The result aligns with previous findings that businesses are much less likely to rely on exports to reach a significant proportion of their customers (Morris, 2011; SBP, 2013). However, intra-African trade offers the highest performance benefits across all indicators rather than doing business outside of Africa (international). The results offer a strategic boost for regional and intra-African trade and support propositions and theories for new venture internationalisation (Johanson & Vahlne, 1990), that posit that complete internationalisation is better realised in stages.

Furthermore, the impact of having a university degree or higher education on financial performance was obvious. The general pattern is that education beyond certificate/diploma enhances financial performance. This corroborates the evidence provided by Morris (2011). However, the study deviates from another school of thought that found that education beyond a bachelor's degree is negatively related to performance (Chandler & Jansen, 1992; Stuart & Abetti, 1990). Further studies on this may unveil other incongruities in linking education to business performance. Similarly, having higher managerial experience either from previous employment or experience from a parent's business confer differential advantage, contrary to some findings (Stuart & Abetti, 1990).

Those whose family and friends never owned businesses had higher mean scores in financial and relative performance respectively, while having such a network of resources conferred higher satisfaction. Similarly, those whose parents have never owned businesses reported better performance on all the indicators of performance and females across sectors performed better financially despite the existence of the gender gap in the business space. Just like South Africans recorded better financial performance in relation to non-South Africans (migrant entrepreneurs).

### 7.1.2 Motivation and Enterprise Performance

The results from the structural model have shown that, there are specific motivational factors that are salient to quality behavioural outcomes leading to enterprise performance in the emerging economy of South Africa. Therefore, for entrepreneurs to be motivated enough to explore opportunities, pursue growth or achieve the success, they need to have some careful combination of high need for achievement, risk-taking propensity and locus of control. Also, the direct effect approach provides preliminary evidence for a significant relationship between each factor of need for achievement, risk-taking propensity and entrepreneurial self-efficacy and indicators of enterprise performance. It was obvious that risk-taking propensity was the most prominent motivational factor in the direct and structural models across all performance indicators (financial, relative and satisfaction). Overall, the motivation factors of risk-taking propensity, need for achievement and locus of control proved to be vital characteristics for enterprise performance. These findings validate some postulations and findings regarding entrepreneurs being motivated to take risk with the expectations of some specific rewards (Drucker, 1985; McClelland, 1961) and support McClelland's (1961) thesis regarding the influential role of nAch in shaping performance achievement and risk-taking.

Surprisingly, ESE could not be confirmed in the structural model, though, other scholars outside South Africa have reported an ESE-performance link (Baum & Locke, 2004) and ESE influencing role in risk-taking and innovation (Chen *et al.*, 1998). Importantly, while ESE has a direct influence on financial performance and performance satisfaction in this study, it shows a weak and non-significant influence on the same indicators in the structural model. This further confirms the methodological advantage of the structural model over the direct effect. Additionally, the results revealed that South African entrepreneurs were also motivated by personal motives, psychological, socio-cultural and economic factors that were not completely captured in the questionnaire but revealed during the interviews. These among other insights further amplify the benefits of using a mixed methods approach. Overall, the findings have shown that personality is a factor of firm performance in deference to some schools of thoughts or findings (Brockhaus, 1980a; Korunka *et al.*, 2010; Stuart & Abetti, 1990).

### 7.1.3 Cognition and Enterprise Performance

The third objective examined the influence of cognitive factors on enterprise performance. The results from the structural model indicate that, skill and ability influenced financial performance, knowledge influenced both relative performance and satisfaction with performance. The findings among others showed the relevance of knowledge, skill and ability in entrepreneurship in line with the extant literature (Shane *et al.*, 2003) and their impact on the indicators of enterprise performance. Furthermore, small business owners in South Africa appeared to have more skills but limited ability in relation to financial performance. This result supports the idea that it is the skill that influences ability and not otherwise (Bandura, 1993; Gnyawali & Fogel, 1994). The findings also indicate that, skills and ability work together to influence performance and their limitation or abundance may impact performance, negatively or positively. Knowledge on the other hand influenced relative performance and satisfaction with performance within the structural model. Interestingly, the cognitive factors of knowledge, skill and ability directly influenced similar performance indicators (relative and satisfaction). In addition, skill and ability directly influenced financial performance but knowledge did not.

Further, knowledge, skill and ability can be developed and the areas to concentrate on have been identified. The interview results point to both the process of development and the relevant knowledge, skill and ability that entrepreneurs should possess or develop to include: basic knowledge, vicarious learning, classroom learning, and start-up knowledge. Others include knowledge about finance, regulation, networking and continuous professional development (CPD). Areas of skills are technical, social, problem-solving, marketing, service delivery, hands-on/practical skills, time management and innovation/new product development skills. Ability includes domain competency, technical ability, managerial, adaptational, financial abilities and internal drive.

### 7.1.4 Joint Influence of Motivation and Cognition on Enterprise Performance

The fourth objective relates to the theoretical proposition that, behaviour occurs when motivation and cognition interact (joint influence) within a context. Firstly, the need for achievement, locus of control, risk-taking propensity, skill and ability jointly influenced the financial performance of the firm. Secondly, the combined influence of motivational factors of need for achievement, risk-

taking propensity and cognitive factor of knowledge were found to have positively influenced the relative performance of the firm. Thirdly, the need for achievement, risk-taking propensity, locus of control and knowledge influenced satisfaction with the performance of the firm. In sum, the results show consistency in the combined effects of the factors of motivation and cognition to influence different measures of enterprise performance.

The findings suggest that motivational and cognitive factors jointly influence small business performances in South Africa. The study has validated the relevance of the theoretical framework of social cognitive theory (SCT) to study entrepreneurial characteristics and their usefulness within an African emerging economy like South Africa.

### 7.1.5 Context as Moderators

An important contribution of this study is the examination of the moderating influence of institutional context relevant to entrepreneurship (social-cultural, political and economic) identified in the literature as the fifth objective. Examining the moderating effect of context is important for several reasons. Scholars have long recognised the need to examine the moderating role of context in studies involving individual characteristics (Gartner, 1989; Rauch & Frese, 2007). Further, contexts (moderators) are very relevant to the theoretical model of SCT applied in the study, given that context is an important part of the tripod that makes up the model (individual, behaviour and context). Additionally, contexts moderate the relationship of the factors of motivation, cognition and enterprise performance as salient institutional factors in an economy. The results of the moderators are in three parts:

*Social-Cultural Context as Moderator:* The social-cultural context positively moderates the influence of the need for achievement on financial performance, and skills on financial performance. Also, the social-cultural context positively moderates the influence of skills on performance satisfaction. On the other hand, the social-cultural context negatively moderates the influence of the risk-taking propensity on financial performance, on relative performance, and on performance satisfaction. Further, some other findings include the existence of a gender gap, the challenge of developing local business partners due largely to the language barrier, obtaining mentorship for learning and support (gender and ethnic based), concerns for security and crime.

However, factors like family support and inter-racial marriage were found to be positively impacting.

*Political Context as Moderator*: The political context positively moderates the influence of skills on relative performance and locus of control on performance satisfaction. It however negatively moderates the influence of knowledge on financial performance, the influence of the need for achievement on relative performance, the influence of the risk-taking propensity on relative performance and performance satisfaction. In addition, labour and unemployment issues were found to be challenging for entrepreneurs. Non-tariff trade barriers (xenophobia), poor government support/patronage, political mistrust and corruption were other issues found to be negatively impacting during the interviews.

*Economic Context as Moderator*: The economic context positively moderates the influence of ability on financial performance; however, it negatively moderates the influence of the risk-taking propensity on financial performance, relative performance and performance satisfaction. In addition, the economic context negatively moderates the influence of skill on performance satisfaction. Other flash points of the results include weak value chain development, the lack of needs-based enterprise support, the existence of an information gap regarding access to finance by indigenous entrepreneurs and specific restrictions for migrant entrepreneurs. There are also the negative impacts of recession/inflation, exchange rate problems, cumbersome regulatory procedures (regarding tax matters), the lack of a skilled workforce, the high costs of doing business and ill-contrived bureaucratic/administrative procedures (regarding access to business finance). On the positive side, quality infrastructure, the existence of viable opportunities, and the availability of finance have been reported (refer to Chapter Five).

In sum, using questionnaire and interview data collection techniques, in addition to PLS-SEM as the main analytical framework, the study could address the research questions and achieve the set objectives as summarised in this Chapter. It is therefore imperative to highlight the research implications and make some recommendations based on the research outcomes and conclude the study in the following sections.

## 7.2 Contributions and Implications

In line with the study objectives and the research questions, the study made the following contributions:

### 7.2.1 Methodological and Theoretical Contributions

The modelling approach and measurement of interactions is in response to several scholarly demands for such approach (Gartner, 1989; Low & MacMillan, 1988). The findings and approach were consistent with scholars' recommendations and requests to address issues such as, entrepreneurial motivation and not growth motivation (Davidsson, 1991), more nuanced research on motivation (Carsrud & Brannback, 2011), testing the moderation effect, using the behavioural approach (Gartner, 1989) and focusing on emerging economies (Bruton *et al.*, 2008). The current study has therefore made significant methodological and theoretical contributions to the field of entrepreneurial behaviour and enterprise performance in emerging markets.

Furthermore, the study utilised large sample data to minimise the drawbacks associated with small samples and the difficulty in detecting small statistical relationships that have been reported in previous research on personality characteristics (Gartner, 1989; Zhao & Seibert, 2006). To achieve rigour, the partial least squares structural equation modelling (PLS-SEM) was employed. PLS-SEM has several important advantages; it is particularly useful for prediction, theory development and explicit examination of the magnitude of measurement error at the construct level through average variance extracted (Hair *et al.*, 2011; Hair Jr *et al.*, 2017). With PLS-SEM, many significant relationships were identified with policy and practical implications.

In addition, questionnaire and interview techniques were combined to appropriate the benefits of pragmatist philosophical approach. The use of questionnaire and interviews methods of data collection is an important contribution to the field. The study utilised SmartPLS and ATLAS.ti software to manage the large responses involved. This methodological improvement made it possible to report findings based on business owners' personal experiences. The combination of quantitative and qualitative methods of data collection further establish the relevance of making the entrepreneurs the central focus of research in entrepreneurship and the benefits of the qualitative method are further reinforced. Based on the outcome, the data collection approach is

shown to be useful and relevant for studies focusing on entrepreneurial characteristics and their impacts on performance or success.

The study extends Berthelot (2008) findings among others, by providing evidence of significant influence of the need for achievement and risk-taking propensity on financial, relative and satisfaction with performance on the one hand, and locus of control on financial and satisfaction with performance on the other hand. In addition, emergent themes from the study confirmed the idea of purposive risk taking driven by planning, opportunity, high sense of achievement, self-worth, vision and enterprise success. Therefore, the study has proven the complementarity and usefulness of a mixed methods approach in the domain.

Also, a cognitive scale for knowledge, skill and ability was developed, empirically tested and validated in this study. The measurement instrument of cognitive factors reported a composite reliability (CR) of 0.8 and higher, indicating acceptable validity and reliability (Hair Jr *et al.*, 2017). The study therefore provides researchers interested in the cognitive factors of business owners with a tested and validated research tool within an African emerging economic context.

Furthermore, the measurement scale for the institutional context of socio-cultural, political and economic factors was developed based on the GEM framework and extant literatures. The scale was validated as a relevant research tool for entrepreneurship in African context.

Also, the study will be relevant in entrepreneurship training and curriculum development, where efforts could be more precisely targeted regarding *behavioural combination characteristics* confirmed by the study in relation to specific dimension of enterprise performance and institutional contexts. The study has proven the relevance of combination characteristics (motivation and cognition).

The theoretical relevance, statistical significance and practical usefulness of the moderating effects of contexts (social-cultural, political and economic) was established by the research. Assessing moderation (as a second order latent construct) has practical implications for entrepreneurs. The methodological approach, (the J-N technique) demonstrates both the precise points and regions of significance where each of the indicators of context appeared to be most impactful and where they do not (See Appendix 4). With the J-N technique, the patterns of moderation are easier to predict over time. It gives an idea of where and when policy makers can

assist entrepreneurs to ameliorate the negative impacts of contexts and where entrepreneurs can or should focus their attention to maximise their potential, contextual opportunities and enhance performance. This methodological approach looks promising for behavioural research with practical implications.

### 7.2.2 Managerial Contributions

The study demonstrates that enterprise performance/success is gender and ethnic neutral. It provides empirical evidence that relatively good performances are achievable across gender, locations, ethnic and parental backgrounds. Indeed, South African indigenous entrepreneurs, female entrepreneurs, migrant and senior entrepreneurs, and those whose parents never owned businesses performed better in certain performance indicators across gender, ethnic divide and locations. These findings hold so much promise for business development and choosing entrepreneurship as a career.

The study has brought to the fore, the relevance of stage development to internationalisation for entrepreneurs willing to do business across borders. The findings highlighted the opportunity that international business offers in terms of performance and emphasised the need for a strategic approach to internationalisation by small business owners. If embraced as proposed, it provides an adequate/realistic opportunity for learning, exposure-risk management, capacity building, business expansion and performance enhancement. The findings will serve as good empirical references for management planning towards regional and intra-African cross-border business.

The joint evaluation of motivation and cognitive factors point to the need for entrepreneurs to harness the combined influence of these characteristics in engendering quality action that can lead to predetermined performance outcomes. As the findings indicate, a careful combination of certain characteristics that can influence specific outcomes are feasible within a given institutional context. This can aid planning, monitoring and the evaluation of results, staff development and management capacity building. These characteristics can be developed (McClelland, 1965a). In addition, the study addresses the relevant knowledge, skill and ability to focus on, that should be of interest to business owners, those aspiring to start business and those who discontinued in the past and are wanting to re-start.

Specifically, for aspiring entrepreneurs, it may be worthy to consider, the link between managerial experience, performance and start-up. The benefits of managerial experience diminish after 10 years. Therefore, the findings implied a strategic balance between the age of business owners (maximum 45 years), managerial experience (6-10 years in parents' business, and maximum 5 years in other establishments, for those who do not work in parents' business) and the start-up, because, start-up experience can be a compensatory learning curve that can influence performance.

Overall, the findings are meant to boost the confidence of entrepreneurs, as significantly important contributors to economic growth, employment generation, wealth creation and business development in an emerging market. From the findings, entrepreneurs have been shown to be key contributors, not only to enterprise performance, but by extension the productive capacity of the economy. The findings also add to the existing body of knowledge and evidence on the contributions of small businesses and entrepreneurs in emerging economies.

### 7.2.3 Policy Implications

The study has many policy implications that require considerable attention by the policy makers for which some specific recommendations have been made. Considerations of the prospects for employment and job creation from enterprises run by entrepreneurs of the middle age, senior and migrant entrepreneurs and performing businesses in general are worthy of policy considerations. Also, issues relating to a not so supportive regulatory environment, capacity gaps, challenges of patronage, business support, access to finance and risk-taking, very weak self-efficacy deserve policy interventions. The study is pointing to the fact that, the needs of every category of entrepreneur are unique and therefore any intervention by the policy makers cannot be 'one size fits all'.

## 7.3 Recommendations

In the light of the outcomes of the study, the following recommendations are made:

### 7.3.1 Specific Recommendations for Business Owners

**Investment in staff and management continuous professional development (CPD)**: CPD is highly recommended for staff and entrepreneurs. Some important areas of emphasis should include knowledge relating to risk analysis and management, access to finance and business support, environmental scanning, regulatory compliance, cash-flow management, keeping updated on the economic outlook, planning and project management skills development, marketing management and customer retention skills, networking capability, and self-efficacy. Given the cost implications of CPD to small business, entrepreneurs are encouraged to utilise or develop their social skills, seek mentorship, use internship and volunteer programmes (where relevant and available) to close critical skills gaps at reasonable cost and accelerate performance.

**Periodic performance evaluation**: As business owners, there is a need for regular evaluation of performance to keep ones' performance goals on track. If for instance, the evaluation reveals non-satisfactory performance, it may be that, the business model, manner of recruitment, customer service and stakeholders' engagement need be reviewed with a view to improving satisfaction with performance. And for those who are not comfortable with the financial and relative performance, efforts may be devoted to developing strategic management skills, networking capability, risk analyses, cash-flow management, innovation/new product development and critical knowledge resources that engender competitive edge and financial performance.

**Be part of viable business value chain**: It is important that SMMEs embrace a niche strategy to drive performance. They should choose a business model within the value chain that supports their comparative and competitive advantage in order to maximise opportunities for performance, efficient management of limited resources and service delivery.

**Export-orientation**: Senior entrepreneurs, experienced entrepreneurs, medium scale business owners running successful businesses at provincial or national level should take advantage of opportunities available for doing business with other African countries. It is recommended that

such a move should start within the SADC region before moving to other African countries. It may be a good expansion strategy to ease stiff competition at home with relatively large businesses, build capacity for international business and take advantage of available export support incentives.

**Time management**: Achieving good performance is related to efficient service delivery. Issues such as response time to enquiries, delivery time, turn-around time, among others must be seriously considered by small business owners to remain competitive and shore up performance. Though many small businesses are managed by a single owner, this is a huge challenge for most SMME owners in terms of capacity. Creative collaborations and partnerships, utilising social skills, domain competency, mentorship and CPD may be rewarding.

**Innovation/new product development**: New product development and simple innovative approaches to business offerings may be required from time to time. These are key ingredients for value addition, customer retention, brand positioning and performance. This can be in terms of presentation of offerings, packaging, branding, logo, varieties on offer, emotional appeal, modification, seasonal sensitivity, customer care among others. Entrepreneurs are encouraged to be innovative, because innovation is an important pillar of efficiency-driven economies.

### 7.3.2 Specific Policy Recommendations

The following recommendations are made in consideration of the outcomes of the study to inform policy decisions:

**Capacity building for financial performance**: The cognitive factors of skills and ability and motivational variables of need for achievement and risk-taking propensity influencing financial performance deserve some policy attention, with a view to enhancing capacity in line with the strategic national goals regarding new market penetration (business expansion and export development), employment generation, tax revenue for government, economic growth and innovation. Business development support programmes for highly capable individuals such as entrepreneurs in priority sectors, university graduates, gazelles, role models, senior citizens and serial entrepreneurs that can manage inherent contextual risks and have capacity to mentor others (nascent and start-ups) while doing well financially should be promoted. The objective is to promote skills development, skills transfer and capacity enhancement in the medium to long term

across industry sectors, increase innovative behaviour, efficient management of business related risks and promotion of sustainable enterprises in the economy. It is about doing more of what is working.

In addition, the Ministry in charge of Small Business Development should initiate a formal mentorship and volunteer programme to close critical skills gaps in areas such as regulatory issues, market entry, book keeping, cash flow management among others facing small businesses. A national online platform should be launched to recruit volunteers nationally and internationally. Government workers, private sectors, NGOs, university students can volunteer to support SMMEs in specific areas of need during their vacations and online (depending on need, capability and technology readiness of SMMEs). Operational mechanism to achieve results and impacts will be necessary with careful consideration regarding proximity to SMMEs, complementarity, cultural sensitivity, expertise, availability, participants matching, funding among others. This approach should be different from any existing related programme in terms of reach, impact and packaging. Awards and certificates should be given annually to successful mentors and volunteers based on impact metrics to be developed. The main aim is to build capacity at the minimum cost possible.

Further, given the positive influence of degree education on performance, careful attention to nurture entrepreneurs who are university degree holders and to produce more is evident. A deliberate policy to develop degree holders as high impact entrepreneurs and gazelles[13] should be instituted as they are likely to create the most jobs that the economy desires.

**Support knowledge development to enhance financial performance**: Knowledge base that is not bringing financial returns leave much to be desired in an efficiency-driven economy like South Africa. For most of the entrepreneurs in the study, there are clear knowledge gaps that may be market related (know why), operations and processes (know how), network resources (know who) and less capacity to cope with contextual influences. Continuous education and training need to be tailor-made for specific needs of individual entrepreneurs along these knowledge dimensions (typologies). In addition, *know how* requires entrepreneurs to be aware of issues

[13] Henrekson & Johansson (2010). Gazelles as job creators: a survey and interpretation of the evidence. *Small Business Economics, 35*(2), 227-244.

regarding regulatory compliance, cash flow management, access to finance, people management and operational resources. Where these knowledge requirements are lacking (specific or in general), high financial performance may not be realisable. This should be of policy concern and as part of the continuous professional development (CPD) in small business organisations as well.

**Promote actionable opportunities and business support**: Further, in an efficiency-driven economy, large firms dominate but with embedded niche opportunities for SMMEs. However, business related opportunities are under exploited despite increasing unemployment. To address this challenge, there is need to develop a comprehensive policy framework on 'actionable opportunities' across sectors and for different categories of entrepreneurs. Government agencies and Departments such as Small Enterprise Development Agency (SEDA), Department of Small Business Development, and Department of Trade and Industry (DTI) may need to support sector specific information dissemination on business ideas and sectoral opportunities backed by research and feasibility studies. This will be an important boost to assist people with low self-efficacy, risk aversion, poor knowledge base, disadvantaged background, and to also minimise information asymmetry regarding business opportunities. Additionally, the industrial park model[14] that support niche opportunities for SMMEs[15] should be fully embraced. This has the advantages of promoting synergy, resource sharing and capacity building. The business support approach should be micro rather than macro, it cannot be 'one size fits all'.

**Develop and promote education and training oriented towards entrepreneurial behaviour**: As a corollary to promote actionable opportunities, enhance self-efficacy, and build relevant capacity, a paradigm shift in entrepreneurship education and training curriculum is highly recommended. The focus of business training should shift from the dominant competition in existing market approach (causation outcome) to the one that promotes new market creation and cooperation (effectuation outcome) (Sarasvathy, 2001) through actionable opportunities, community engagement and support (Fisher, 2012). The behavioural model in the current study emphasises *combination characteristics* of the joint influence of motivation and cognition,

[14] 'Recognising the power and magic of industrial parks' (pages 172-175) in Lin (2014), The Quest for Prosperity: How developing economies can take off, Princeton, US.

[15] Early in the year 2017 - US16m was set aside by DTI for the renovation of five *industrial parks in South Africa:* https://constructionreviewonline.com

multiple performance outcomes and contextual influences. It recognises differential capabilities among entrepreneurs and identified areas of focus in entrepreneurship training and curriculum. Specifically, key dimensions of KSA developed in the study will be relevant to action-oriented curriculum both at start-up and in the growth trajectory.

**Develop risk mitigation support structure**: Since a cross-section of entrepreneurs demonstrated sensitivity to risk-taking given the negative influence of the regulatory environment, apart from building capacity for risk-taking, introducing a small business investment de-risking programme/framework is recommended. A risk mitigation support structure with a view to minimising risk aversion could be provided in the form of de-risking, risk-sharing, and insurance incentives to get the entrepreneurs back in business in the event of failures. This could be in the form of an insurance policy partly funded by government and by seed funding or risk grants for carefully assessed projects and SMMEs. The coverage could be for proof-of-idea/concept, excess production, marketing (new entry), partnership, competition, innovation, new asset acquisition, export related, cyclical, unforeseen circumstances/act of God, seasonal risk among others.

**Introducing self-efficacy development programme**: A formal programme on self-efficacy may complement risk mitigation support structure for clearly identified aspiring entrepreneurs, growth-oriented owners, those who discontinued in the past, and those whose risk-taking propensity is too weak. Lack of self-efficacy may limit the level of risk-taking and affect the inner-drive. This programme may be introduced at all levels of education as well: primary, post-school, vocational and high schools.

**Access to finance**: From the findings, there have been concerns regarding business financing that is not accessible to some entrepreneurs. The information about sources and processes is not widespread and/or the capacity to go through the process is lacking. It is recommended that different approaches are employed to ease access to finance for SMMEs. The SMMEs financing architecture needs some reclassification that takes cognisance of five important areas. First, when finance is available publicity is frequently lacking. Therefore, budget provision for publicity and the promotion of the different types of financing available for small businesses is recommended with details about the custodian of the fund, the processes involved, amounts accessible to different categories of small businesses and percentages disbursed on a quarterly basis among

others. This approach will have the advantages of information dissemination, trust building with the government and the encouragement of other entrepreneurs to apply. Second, reclassify the beneficiaries and review the related requirements to accommodate different categories of entrepreneurs regardless of their ethnic or racial origins and make the process available on the web for transparency. All entrepreneurs should be viewed as key players making significant contributions to grow the economy. Third, provide business support services regarding business plan development and writing to ease access and applications. Fourth, encourage and embrace one policy and procedure on access to finance to reduce red tape and bureaucracy. This includes areas such as: seed funding, proof of idea/concept grant, low interest/single digit interest loan, and alternative finance vehicles; such as participation of angel investors, venture capitalists and development finance/assistance. Also, loans accompanied with training and technical support at an early stage, tax breaks, and the linking of all these approaches across ministries, departments and agencies (MDAs) to increase employment generation. Fifth, development of grassroots microfinance institutions both as empowerment programmes for entrepreneurs, that will take such as a business opportunity on the one hand, and as part of access to finance infrastructure at the local level on the other hand, this is highly recommended.

**Export orientation**: Active promotion and encouragement of cross-border trade within Africa is strongly advocated using the stage process approach (only 5 per cent of respondents are currently doing business within Africa). The government efforts towards increasing exports to the rest of Africa, currently at 20 per cent of total exports globally (DTI, 2010) needs to be accelerated. It may be relevant, to use the stage process approach, to develop small businesses along the export value chains to manage both the exposure risk and capacity building. A corollary to this recommendation is the need to deepen the recognition of trade-in-services exports, highlighted in the South African Trade Policy and Strategy Framework (DTI, 2010). Trade-in-services looks so promising for an African emerging economy like South Africa across different value chains given the existence of quality infrastructure. This will reduce SMMEs dependency on government patronage, as they tap into the niche export value chains. However, it must be stressed that building global brands requires commitment, resources, support and strategy.

**Migrant policy shift**: The need for a comprehensive migrant business-related policy is required. This is to promote and develop entrepreneurial economy that is in tune with the realities of the

twenty-first century concerning the *global war for talents* in different spheres of human endeavours. About 30% of respondents were migrants with relatively good performance and context-induced challenges in areas of finding partners and mentors, getting patronage and access to finance. Suitable immigration policy can be utilised for 'brain gain' (with complementary regulatory incentives), attracting the best of talents across the globe into the business space in the country, and not just to fill critical shortage skills in the labour market[16]. A migrant policy-shift in select sectors can be utilised for skills transfer, build capacity of indigenous nascent entrepreneurs and start-ups using cooperative and partnership models including access to finance. This is expected to accelerate knowledge sharing and spill over, capacity development, promote competition and stimulate economic growth. However, this recommendation depends on improvement in the socio-cultural, political and economic environment in the country. If the context is not made favourable, other countries may also use immigration policy to attract quality entrepreneurs from South Africa.

**Improvement in institutional regulatory contexts**: Major improvements are required to make the regulatory environment more conducive for business performance in terms of ease of doing business, curtailing inflation through careful management of fiscal and macroeconomic policies that cause Rand depreciation, exchange rate fluctuation and economic instability with a view to improve the productive capacity of the country. A corollary to these recommendations would be, the need to fight corruption in the public sector, improved security and pre-emptive crime intelligence, reduce bureaucracy and eliminate administrative bottlenecks.

Given the predictive nature of the research model, emerging patterns from the interaction terms (Appendices 4)[17] are pointing to where some improvements are required regarding the negative influence of the moderating variables in some instances. An improvement in economic condition (Table 4.15) combine with risk mitigation programme recommended in this section, may stimulate the motivational factor of risk-taking propensity and cognitive factor of skill for positive improvement in all performance indicators. Similarly, capacity building combined with improved political conditions (favourable migrant policy, SMMEs friendly regulations) may enhance entrepreneurs' propensity for performance in relation to utilisation of business

[16] Government Gazette No. 39604, 19 January 2016, Department of Higher Education and Training, www.gpwonline.co.za
[17] In relation to the structural models in Figures 6, 7 and 8.

knowledge, need for achievement, risk-taking propensity and locus of control. Importantly, the results have shown that improvement in political context (Table 4.14) could be utilised to improve on entrepreneurs' motivational factor of locus of control. Finally, socio-cultural factors (Table 4.13) when fully harnessed and improved upon may have significant influence on risk-taking across all performance measures. For instance, promoting positive stories and role models could encourage individuals (especially youths and graduates) to embrace entrepreneurship as a career. Issues relating to how entrepreneurs develop their businesses, overcome resource constraints, bureaucracy and administrative bottlenecks, manage staff, operational matters and business growth could feature prominently at business forum, radio and television programmes and special events and awards. In addition, more business schools in South Africa should take interest in developing case studies of South African entrepreneurs (a good example is the Case Centre at Wits Business School, Johannesburg) both for learning, information dissemination and improving the perception of socio-cultural context for business.

### 7.4 Limitations

The study has some limitations.

The data for the study was collected at one point in time, hence the cross-sectional research design did not allow the researcher to measure variations in responses to key predictors overtime. This limits the generalisability of the study.

Also, the study was designed as a cross-cultural study within South Africa, but sensitive to racial issues and analyses. This is an important limitation to the study.

Further, the inability to collect actual performance data. The performance data was subjective. Several reasons accounted for this: the respondents are not under obligations to divulge actual performance data unlike large companies, they are largely micro and very small businesses that are not compelled to keep performance records, are likely to re-invest revenue generated given their small scale, therefore making tracking of actual performance records difficult.

In addition, the assumption that entrepreneurs have broad perspectives of all predictors (e.g. contexts), and outcome (performance) measures applied. There may be tendencies for entrepreneurs exhibiting memory decay, conjunctional fallacy (Curseu, Vermeulen, & Bakker, 2008) and/or social desirability bias (Arnold & Feldman, 1981).

Lastly, simplification of 'behaviour' instead of operationalising it as a process (Bird *et al.*, 2012; Davidsson, 2008), involving a series of economic and non-economic activities.

### 7.5 Frontiers for future research

Future research should investigate how specific factors of knowledge, skills and ability found to influence performance in this study, drive the survival of small businesses in a longitudinal study. It may be worthy of consideration, that future research utilises the validated scales developed for the current study, in another African country or emerging economy to determine the generalisability, cross-cultural validity and standardisation of the scales.

Separate studies regarding indigenous and migrant entrepreneurs may be of value to provide deeper insights into the cognitive make-up and contributions to performance, along ethnic and racial divides, instead of the current approach of grouping entrepreneurs together.

It may be relevant to investigate the impact of the dynamics of motivation and cognition in teams (co-founders); with a view to answering the questions: would the results have been different if co-founders' motivational and cognitive factors had been examined in this study? Do all co-founders have similar motivational make-ups? Does the cognitive capability of a founder compensate for the deficiency of another founder? Does enterprise performance in businesses run by heterogeneous (cross-cultural) team members differ significantly from homogenous (same culture) team members in the same country?

In addition, since the current study deals with the influence of both predictor and moderator variables on the outcome variables, it may be worth exploring studies that will provide different explanations of the outcome variables that include mediation, mediated-moderation and moderated-mediation (Fairchild & MacKinnon, 2009; Frazier *et al.*, 2004).

While it is widely acknowledged that, reported effects sizes for moderators are often small (McClelland & Judd, 1993), future studies may explore alternative research designs, such as experimental designs, longitudinal designs and covariance-based structural equation modelling (CB-SEM) with much larger data. Importantly, it may be of value to conduct research that will provide deeper insights into why certain variables such as the need for achievement, the risk-

taking propensity, knowledge and ability that made a significant influence in the structural model were either not supported or negatively moderated by the context in the interaction terms.

A more nuanced longitudinal research on context involving variables such as location, sector, resources, size and scale of operations could be explored with large longitudinal data. The idea is to distil how contextual dynamics impact on enterprise performance over time. This can be explored using theories such as the ecological perspective (Aldrich, 1990), organizational imprinting (Stinchcombe, 1965), resource based theory (Alvarez & Busenitz, 2001; Bradley, 2007; Rouse & Dallenbach, 1999), dynamic capability theory (Arend, 2012) and alternative template research design (Fisher, 2012).

The results highlight the importance of intra-African trade and propose a stage approach to internationalisation based on the stage theories. However, comparative studies are recommended between SMMEs that internationalised rapidly (within five years of start-up and outside Africa) and those that passed through stages to internationalisation (gradual and regional focused) in terms of competitiveness, survival and entrepreneurs' characteristics (motivation and cognition) to deepen the current findings.

Though the model in this study gains support based on the research outcomes, the analyses however, suggest many unanticipated relationships that are theoretically plausible. A few relevant outcomes emerged from the interviews as well that were not captured in the questionnaire designs, these among others may be worth further consideration in designing future studies.

### 7.6 Conclusion

The main purpose of this study is to investigate the key drivers of enterprise performance in South Africa along five specific objectives, with a view to address why some entrepreneurs and not others are performing well in similar contextual circumstances. There have not been encouraging reports concerning the key indices of business performance in South Africa in recent times[18]. The study adopted social cognitive theory (SCT) as the main theoretical

[18] Two-thirds (67 per cent) of new businesses closed for performance reasons in 2016 as reported in GEM South Africa Report 2016/2017: Can small business survive in South Africa? www.gemconsortium.org

framework to test the multidimensional model of enterprise performance in an African emerging economic context. The research took cognisance of enterprise location, operational spread, parental background, managerial experience, individual characteristics of motivation and cognition and the institutional contexts of socio-cultural, political and economic elements. It is believed that these key variables and factors drive business performance in an interconnected manner and are influenced by the institutional context in different configurations. To achieve the objectives of the research, the study utilised a mixed methods cross-sectional data collection approach and employed PLS-SEM as the main analytical framework to analyse 312 questionnaire responses and the content analyses for the qualitative data from 32 respondents using ATLAS.ti software. The study is conceptualised as a cross-cultural study within South Africa and respondents were classified according to gender, race and location.

As the findings and discussions have shown, enterprise performance is multidimensional and dynamic in its patterns. In addition, both the structural model and the interaction terms validate the same motivational and cognitive factors. Other important factors found to influence enterprise performance include the founders' age, education, managerial experience and scope of business operations. However, from the findings, an indication of a not so favourable context for risk-taking and the sensitivity of small business owners in South Africa to risk-taking under different contexts emerged. Implicitly, there are capacity gaps in coping with the negative influences of institutional contexts on performance, to which some policy recommendations have been made.

Consequently, the study confirmed that personality characteristics and contextual factors are capable of influencing enterprise performance, and the application of the moderators (context) within the interaction terms enhanced the explanatory power of the structural model. It is therefore imperative that entrepreneurs, policy makers and scholars alike pay considerable attention to the influencing role of context as moderator, and to the individual characteristics on enterprise performance. Interestingly, these characteristics are learnable and can be developed. Therefore, many of the previous models that have produced inconsistent and incongruent results will find the results and approach in the current study useful.

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# APPENDICES

## Appendix 1: Descriptive Statistics

Appendix 1a: Background Information

| Variable | Response | Frequency (%) |
|---|---|---|
| Region | Cape Town | 109(33.9) |
| | Durban | 66(21.2) |
| | Johannesburg | 137(43.9) |
| Gender | Male | 179(57) |
| | Female | 133(43) |
| | | |
| Age of respondent | Under 25 | 20(6.4) |
| | 25-35 | 125(40.1) |
| | 36-45 | 81(26.0) |
| | 46-55 | 63(20.2) |
| | 56-60 | 15(4.8) |
| | 61+ | 8(2.6) |
| | | |
| Ethnic | Black, South African | 111(35.6) |
| | White, South African | 63(20.2) |
| | Coloured, South African | 34(10.9) |
| | Indian, South African | 13(4.2) |
| | Non-South African | 91(29.2) |
| | | |
| Highest Level of Formal Education | Primary | 18(5.8) |
| | Secondary | 65(20.8) |
| | Certificate/Diploma | 136(43.6) |
| | Bachelor's Degree | 65(20.8) |
| | Master's Degree and above | 28(9.0) |
| | | |
| Has either of your parents ever owned a business? | Yes | 174(56.7) |
| | No | 133(43.3) |
| | No response | 5(1.6) |
| | | |
| Do you have close friends or other family members that run their own business? | Yes | 251(80.4) |
| | No | 61(19.6) |
| | | |
| Do you participate in the day to day decision making and running of the current business? | Yes | 301(96.5) |
| | No | 11(3.5) |
| | | |
| Role | Founder | 106(34.0) |
| | Owner Manager | 159(51.0) |
| | Successor | 17(5.4) |
| | Others | 26(8.3) |
| | No Response | 4(1.2) |
| | | |
| Industry | Agriculture | 22(7.1) |
| | Mining and Quarrying | 19(6.1) |
| | Manufacturing | 15(4.8) |
| | Electricity, Gas & Water | 33(10.6) |
| | Construction | 65(20.8) |
| | Motor Repairs | 13(4.2) |
| | Wholesale & Retail trade | 54(17.3) |
| | Catering & Accommodation | 22(7.1) |
| | Transport, Storage & Communication | 17(5.4) |
| | Finance & Business services | 42(13.5) |

| | | |
|---|---|---|
| | Community, social & personal services | 7(2.2) |
| | Others | 3(1.0) |
| | | |
| Did you start your business alone or were you part of a start-up team? | Team | 126(50.4) |
| | Alone | 186(59.6) |
| | | |
| scope of your business operation | Within my province | 164(52.6) |
| | More than one Province | 77(24.7) |
| | National /Country wide | 38(12.2) |
| | other African countries (outside South Africa) | 16(5.1) |
| | International (outside Africa) | 17(5.4) |
| | | |
| Number of years of experience gained from parents' business prior to starting your own business | ≤ 5 | 90(28.85) |
| | 6-10 | 37(11.86) |
| | 11-15 | 17(5.45) |
| | 16-20 | 12(6.90) |
| | 21-25 | 5(3.85) |
| | No response (of 312 responses) | 138(44.23) |
| | | |
| How many business (es) have you started so far? | ≤ 5 | 283(91.3) |
| | 6-10 | 9(2.9) |
| | 11-15 | 17(5.5) |
| | 16-20 | 1(0.3) |
| | | |
| How many years of managerial experience did you have before starting your business | ≤ 5 | 152(48.71) |
| | 6-10 | 82(26.30) |
| | 11-15 | 31(9.90) |
| | 15-20 | 1(0.30) |
| | 20-25 | 1(0.30) |
| | 25-30 | 3(0.96) |
| | No response (of 312 responses) | 42(13.50) |
| | | |
| How old is your business? | ≤ 5 | 171(55.9) |
| | 5-10 | 94(30.7) |
| | 11-15 | 27(8.8) |
| | 16-20 | 5(1.6) |
| | 21-25 | 9(2.9) |
| | | |
| The number of full time equivalent employees in your firm including yourself | ≤ 10 | 223(72.2) |
| | 11-20 | 39(12.6) |
| | 21-30 | 10(3.2) |
| | 31-40 | 13(4.2) |
| | 41-50 | 8(2.6) |
| | 51-60 | 1(0.3) |
| | 61-70 | 1(0.3) |
| | 71-80 | 5(1.6) |
| | 81-90 | 3(1.0) |
| | > 90 | 6(1.9) |

Appendix 1b: Results of Principal Components Analysis

**(i) Eigenvalues, and the proportion of variation explained by the principal components**

| | Financial Performance | | Relative Performance | | Satisfaction with Performance | |
|---|---|---|---|---|---|---|
| **Components** | **Eigenvalue** | **Proportion** | **Eigenvalue** | **Proportion** | **Eigenvalue** | **Proportion** |
| Component1 | 4.5384 | 0.7561 | 4.9889 | 0.7993 | 3.3082 | 0.7443 |
| Component2 | 0.6764 | 0.1127 | 0.4593 | 0.0736 | 0.5286 | 0.1189 |
| Component3 | 0.3729 | 0.0621 | 0.3483 | 0.0558 | 0.3661 | 0.0824 |
| Component4 | 0.2362 | 0.0393 | 0.3094 | 0.0496 | 0.2417 | 0.0544 |
| Component5 | 0.1784 | 0.0297 | 0.1359 | 0.0218 | - | |

**(ii) Eigenvectors, and the proportion of variation explained by the principal components**

| **Variable** | **Component1** | **Unexplained** |
|---|---|---|
| Financial Performance Indicator 1 | 0.4890 | 0.2621 |
| Financial Performance Indicator 2 | 0.4610 | 0.1772 |
| Financial Performance Indicator 3 | 0.3514 | 0.5904 |
| Financial Performance Indicator 4 | 0.4643 | 0.1915 |
| Financial Performance Indicator 5 | 0.4575 | 0.2427 |
| Relative Performance Indicator 1 | 0.5144 | 0.2488 |
| Relative Performance Indicator 2 | 0.4375 | 0.1365 |
| Relative Performance Indicator 3 | 0.3934 | 0.3182 |
| Relative Performance Indicator 4 | 0.4489 | 0.2509 |
| Relative Performance Indicator 5 | 0.4332 | 0.2985 |
| Satisfaction with performance Indicator 1 | 0.3832 | 0.4049 |
| Satisfaction with performance Indicator 2 | 0.5234 | 0.2169 |
| Satisfaction with performance Indicator 3 | 0.5256 | 0.1923 |
| Satisfaction with performance Indicator 4 | 0.5504 | 0.3224 |

Appendix 1c: Motivation

| Variable | Mean | Std. Dev. | Min. | Max | Skew | Kurtosis. |
|---|---|---|---|---|---|---|
| **Need for Achievement (nAch)** | | | | | | |
| I will not be satisfied unless I have reached the desired level of results. | 3.73 | 1.329 | 1 | 5 | -0.786 | -0.679 |
| Even though people tell me 'it cannot be done', I will persist. | 4.18 | 0.856 | 1 | 5 | -1.375 | 2.615 |
| I look upon my work as simply a way to achieve my goals. | 3.97 | 0.871 | 1 | 5 | -1.086 | 1.367 |
| **Locus of Control** | | | | | | |
| When I make plans, I am almost certain to make them work | 4.12 | 0.813 | 1 | 5 | -1.348 | 2.929 |
| When I get what I want, it is usually because I worked hard for it | 4.11 | 0.840 | 1 | 5 | -1.446 | 3.343 |
| I can do anything I set my mind on doing | 4.14 | 0.680 | 1 | 5 | -0.738 | 1.650 |
| **Risk Taking Propensity (RTP)** | | | | | | |
| I am not willing to take risks when choosing a venture to start or a supplier to work with. | 3.28 | 1.146 | 1 | 5 | -0.395 | -0.749 |
| I prefer a low/high security venture with a steady profit over a venture that offers high risks and high profit. | 3.47 | 1.027 | 1 | 5 | -0.603 | -0.272 |
| I prefer to remain on a venture that has problems that I know about rather than take risks of starting a new venture that has unknown problems even if the new venture offers greater profit. | 3.42 | 1.128 | 1 | 5 | -0.657 | -0.387 |
| I view risk on a job as a situation to be avoided at all costs. | 3.30 | 1.178 | 1 | 5 | -0.287 | -0.957 |
| **Entrepreneurial Self Efficacy (ESE)** | | | | | | |
| I will be able to achieve most of the goals that I set for myself. | 4.05 | 0.879 | 1 | 5 | -1.266 | 2.049 |
| When facing difficult tasks, I am certain that I will accomplish them. | 4.13 | 0.778 | 1 | 5 | -1.253 | 2.905 |
| In general, I think that I can obtain outcomes that are important to me. | 4.12 | 0.728 | 1 | 5 | -1.194 | 2.943 |
| I believe I can succeed at most any endeavour to which I set my mind. | 4.10 | 0.854 | 1 | 5 | -1.508 | 3.328 |
| I will be able to successfully overcome many challenges. | 4.12 | 0.901 | 1 | 5 | -1.668 | 3.562 |

Appendix 1d: Cognition

| Variable | Mean | Std. Dev. | Min. | Max | Skew | Kurtosis. |
|---|---|---|---|---|---|---|
| **Knowledge (K)** | | | | | | |
| I have adequate knowledge of why we are in business. | 4.16 | 0.851 | 1 | 5 | -1.534 | 3.486 |
| I have adequate knowledge of what it takes to run the business. | 4.13 | 0.862 | 1 | 5 | -1.647 | 3.943 |
| I understand the process of information gathering and utilization. | 4.05 | 0.877 | 1 | 5 | -1.453 | 3.080 |
| I have knowledge of support network that can provide assistance/help when it matters. | 3.95 | 0.904 | 1 | 5 | -1.271 | 1.932 |
| My previous education and training are useful in running the business. | 4.10 | 0.806 | 1 | 5 | -1.481 | 3.785 |
| **Skills (SK)** | | | | | | |
| I am good at getting money and people required for the business. | 4.02 | 0.800 | 1 | 5 | -1.130 | 2.597 |
| I have strength in organizing and motivating people. | 4.10 | 0.775 | 1 | 5 | -1.557 | 4.555 |
| I can supervise, influence and lead others effectively | 4.20 | 0.735 | 1 | 5 | -1.199 | 2.759 |
| I allocate resources to achieve performance targets. | 4.08 | 0.715 | 1 | 5 | -1.128 | 3.188 |
| I connect easily with people whenever I need to. | 4.15 | 0.807 | 1 | 5 | -1.469 | 3.767 |
| **Ability AB)** | | | | | | |
| My past experience determines the way I handle things in my business. | 4.08 | 0.965 | 1 | 5 | -1.571 | 2.879 |
| Often, I see ways in which a new combination of people, materials, or products can be of value to the business. | 4.02 | 0.884 | 1 | 5 | -1.410 | 2.827 |
| I have ability to initiate and develop products and services that are technically superior. | 3.80 | 0.977 | 1 | 5 | -0.951 | 0.900 |
| I recognize the needs of a changing environment easily. | 4.06 | 0.835 | 1 | 5 | -1.122 | 1.834 |
| I have high level financial management skills that give competitive advantage | 3.88 | 0.934 | 1 | 5 | -0.755 | 0.446 |
| I have high internal drive to see this venture to fruition. | 4.22 | 0.892 | 1 | 5 | -1.429 | 2.490 |

Appendix 1e: Context

| Variable | Mean | Std. Dev. | Min. | Max | Skew | Kurtosis. |
|---|---|---|---|---|---|---|
| **Socio-cultural (Soc)** | | | | | | |
| The creation of new ventures is considered an appropriate way to become rich. | 3.65 | 1.233 | 1 | 5 | -0.635 | 0.605 |
| Most people consider becoming an entrepreneur as a desirable career choice. | 4.01 | 0.989 | 1 | 5 | -1.071 | 0.870 |
| Successful entrepreneurs have a high level of status and respect. | 4.01 | 1.002 | 1 | 5 | -1.134 | 1.222 |
| You will often see stories in the public media about successful entrepreneurs. | 4.00 | 0.858 | 1 | 5 | -0.836 | 0.907 |
| Most people think of entrepreneurs as competent, resourceful individuals. | 4.02 | 0.882 | 1 | 5 | -0.858 | 1.151 |
| Individuals who run their businesses enjoy supports from the community, family and neighbours. | 3.94 | 0.883 | 1 | 5 | -0.776 | 0.955 |
| **Economic (Eco)** | | | | | | |
| The economy is quite supportive of wealth creation for small and growing firms. | 3.50 | 1.263 | 1 | 5 | -0.764 | -0.350 |
| Choosing the direction for the economy is quite predictable. | 3.39 | 1.145 | 1 | 5 | -0.452 | -0.361 |
| Obtaining finances is very easy and the process is simple. | 3.21 | 1.322 | 1 | 5 | -0.288 | -1.060 |
| Taxes, tax laws (including incentives) are applied to new and growing firms in a predictable and consistent way. | 3.45 | 1.101 | 1 | 5 | -0.284 | -0.736 |
| **Political (Pol)** | | | | | | |
| Compliance requirements for registration and licensing are **not** too difficult for new and growing firms. | 3.19 | 1.368 | 1 | 5 | -0.216 | -1.200 |
| The political situation is quite predictable with some level of certainty. | 3.32 | 1.267 | 1 | 5 | -0.309 | -0.965 |
| Individual and Property rights are well secured and protected. | 3.71 | 1.100 | 1 | 5 | -0.772 | -0.009 |
| There is adequate & efficient system of commercial law that supports personal discretion to enter into business contract. | 3.72 | 1.166 | 1 | 5 | -0.924 | 0.113 |

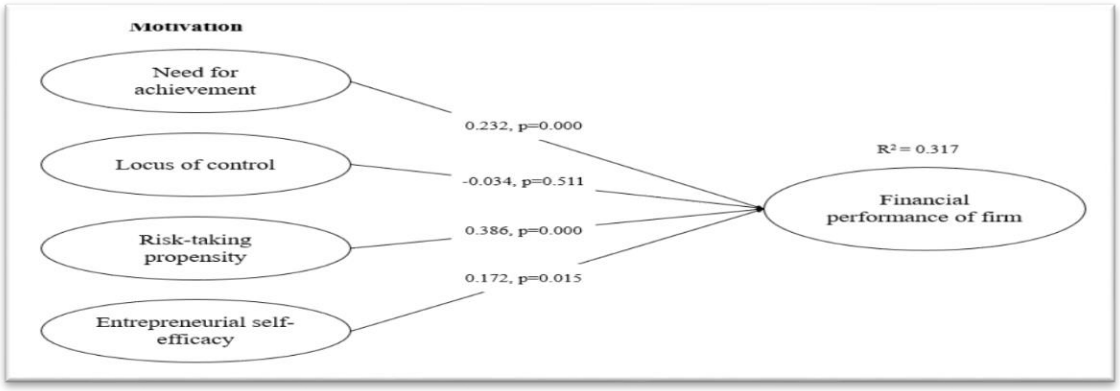
Appendix 1f: Tests of Normality

| | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| FPF1 | .316 | 312 | .000 | .843 | 312 | .000 |
| FPF2 | .321 | 312 | .000 | .838 | 312 | .000 |
| FPF3 | .288 | 312 | .000 | .855 | 312 | .000 |
| FPF4 | .313 | 312 | .000 | .849 | 312 | .000 |
| FPF5 | .319 | 312 | .000 | .839 | 312 | .000 |
| RPF1 | .271 | 312 | .000 | .873 | 312 | .000 |
| RPF2 | .263 | 312 | .000 | .882 | 312 | .000 |
| RPF3 | .261 | 312 | .000 | .881 | 312 | .000 |
| RPF4 | .292 | 312 | .000 | .863 | 312 | .000 |
| RPF5 | .295 | 312 | .000 | .859 | 312 | .000 |
| SPF1 | .347 | 312 | .000 | .748 | 312 | .000 |
| SPF2 | .303 | 312 | .000 | .851 | 312 | .000 |
| SPF3 | .300 | 312 | .000 | .825 | 312 | .000 |
| SPF4 | .305 | 312 | .000 | .841 | 312 | .000 |
| NA1 | .269 | 312 | .000 | .816 | 312 | .000 |
| NA2 | .279 | 312 | .000 | .768 | 312 | .000 |
| NA3 | .332 | 312 | .000 | .792 | 312 | .000 |
| LC1 | .315 | 312 | .000 | .757 | 312 | .000 |
| LC2 | .312 | 312 | .000 | .756 | 312 | .000 |
| LC3 | .297 | 312 | .000 | .777 | 312 | .000 |
| RTP1 | .245 | 312 | .000 | .893 | 312 | .000 |
| RTP2 | .285 | 312 | .000 | .870 | 312 | .000 |
| RTP3 | .284 | 312 | .000 | .866 | 312 | .000 |
| RTP4 | .240 | 312 | .000 | .893 | 312 | .000 |
| ESE1 | .321 | 312 | .000 | .777 | 312 | .000 |
| ESE2 | .311 | 312 | .000 | .763 | 312 | .000 |
| ESE3 | .333 | 312 | .000 | .737 | 312 | .000 |
| ESE4 | .327 | 312 | .000 | .742 | 312 | .000 |
| ESE5 | .335 | 312 | .000 | .718 | 312 | .000 |
| K1 | .305 | 312 | .000 | .744 | 312 | .000 |
| K2 | .325 | 312 | .000 | .725 | 312 | .000 |
| K3 | .323 | 312 | .000 | .759 | 312 | .000 |
| K4 | .345 | 312 | .000 | .774 | 312 | .000 |
| K5 | .329 | 312 | .000 | .739 | 312 | .000 |
| SK1 | .309 | 312 | .000 | .789 | 312 | .000 |
| SK2 | .338 | 312 | .000 | .718 | 312 | .000 |
| SK3 | .299 | 312 | .000 | .749 | 312 | .000 |
| SK4 | .330 | 312 | .000 | .752 | 312 | .000 |
| SK5 | .303 | 312 | .000 | .748 | 312 | .000 |

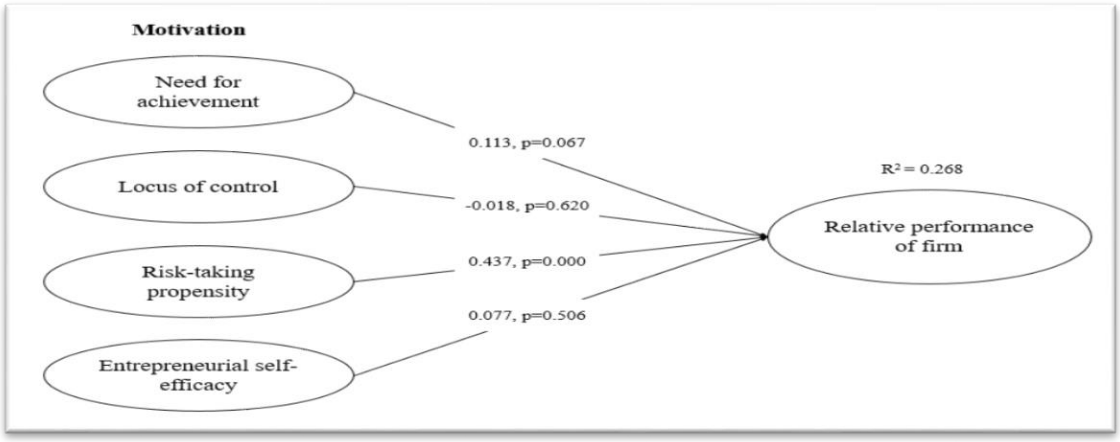
| | | | | | | |
|---|---|---|---|---|---|---|
| AB1 | .312 | 312 | .000 | .746 | 312 | .000 |
| AB2 | .329 | 312 | .000 | .764 | 312 | .000 |
| AB3 | .288 | 312 | .000 | .841 | 312 | .000 |
| AB4 | .306 | 312 | .000 | .793 | 312 | .000 |
| AB5 | .260 | 312 | .000 | .855 | 312 | .000 |
| AB6 | .256 | 312 | .000 | .763 | 312 | .000 |
| SC1 | .227 | 312 | .000 | .866 | 312 | .000 |
| SC2 | .270 | 312 | .000 | .818 | 312 | .000 |
| SC3 | .257 | 312 | .000 | .814 | 312 | .000 |
| SC4 | .268 | 312 | .000 | .834 | 312 | .000 |
| SC5 | .232 | 312 | .000 | .821 | 312 | .000 |
| SC6 | .244 | 312 | .000 | .837 | 312 | .000 |
| ECO1 | .256 | 312 | .000 | .849 | 312 | .000 |
| ECO2 | .188 | 312 | .000 | .894 | 312 | .000 |
| ECO3 | .203 | 312 | .000 | .894 | 312 | .000 |
| ECO4 | .207 | 312 | .000 | .902 | 312 | .000 |
| POL1 | .198 | 312 | .000 | .890 | 312 | .000 |
| POL2 | .202 | 312 | .000 | .899 | 312 | .000 |
| POL3 | .262 | 312 | .000 | .864 | 312 | .000 |
| POL4 | .284 | 312 | .000 | .839 | 312 | .000 |

a. Lilliefors Significance Correction

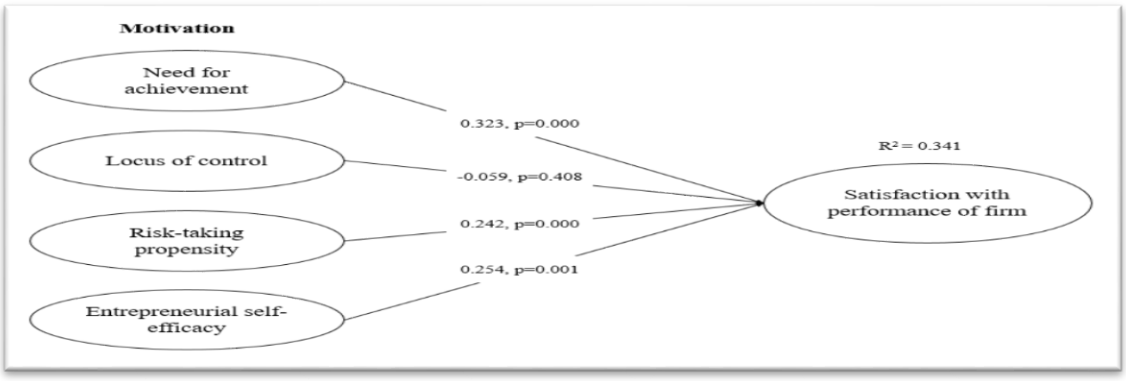
## Appendix 2: Direct Effect (Unadjusted) of Motivation, Cognition on Enterprise Performance



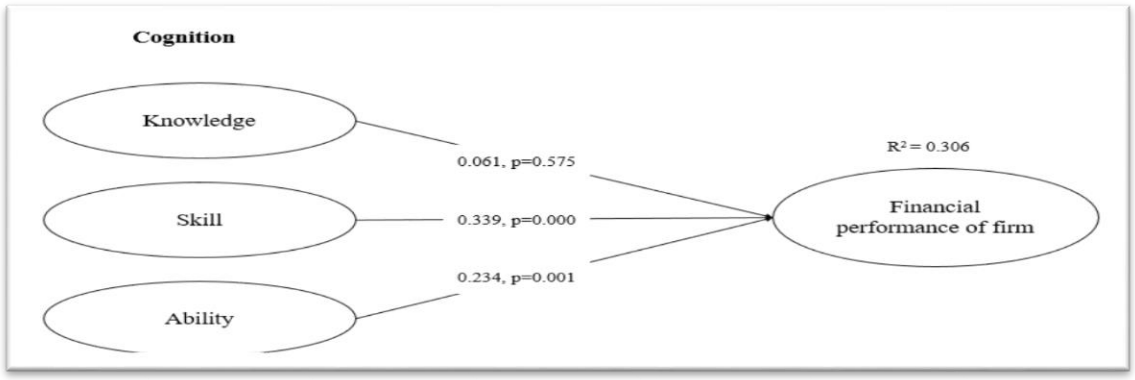

2a: Effect of Motivation on financial performance (FPF)



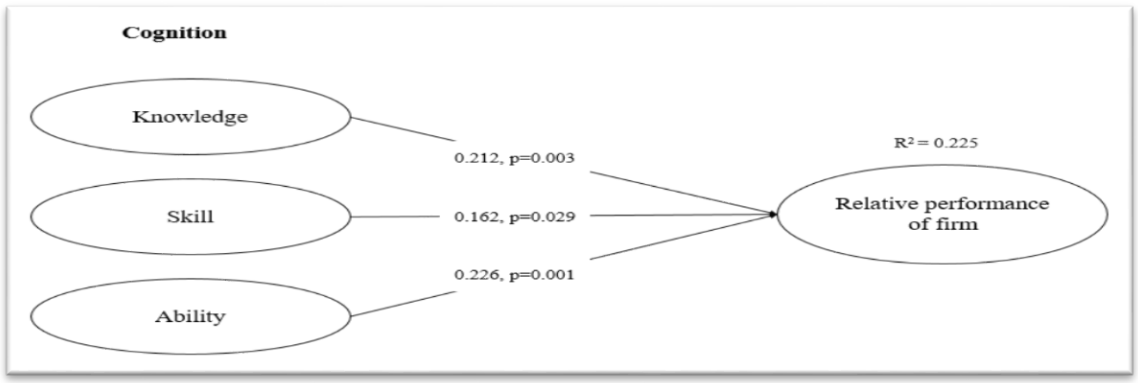

2b: Effect of Motivation on relative performance (RPF)



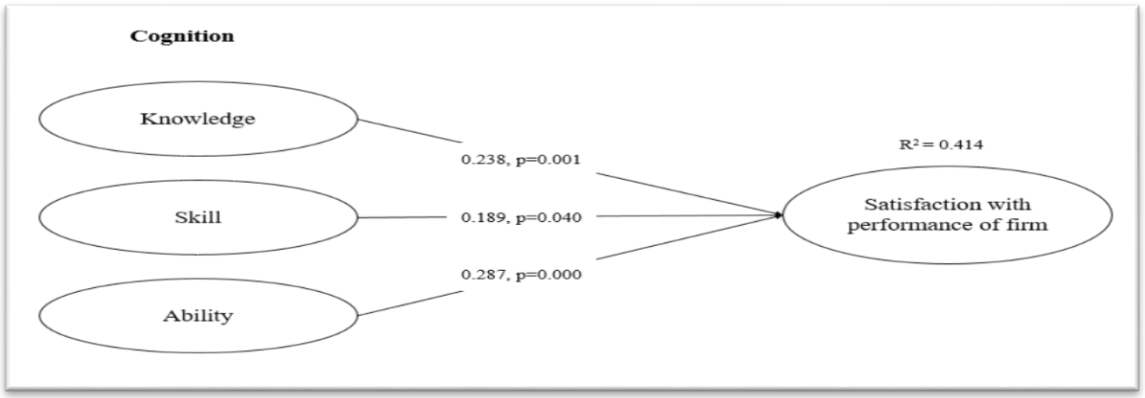

2c: Effect of Motivation on satisfaction with performance (SPF)




2d: Effect of cognition on financial performance(FPF)

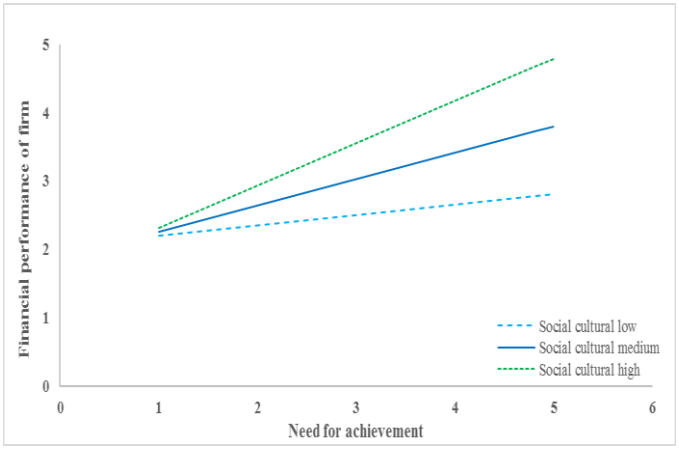



2e: Effect of cognition on relative performance (RPF)

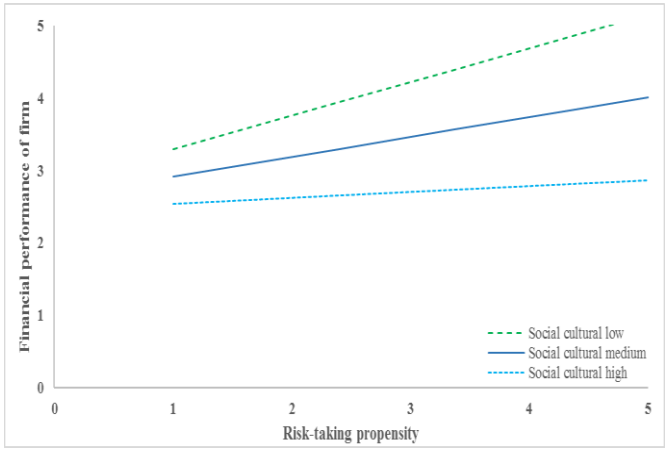



2f: Effect of cognition on satisfaction with performance (SPF)

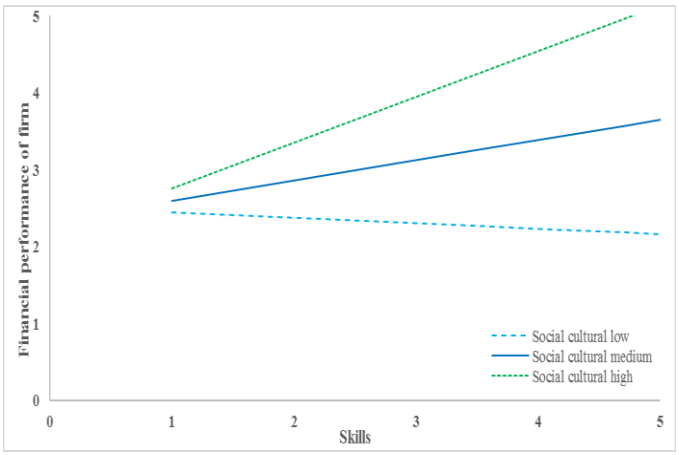
## Appendix 3: Simple Slopes Analyses Results



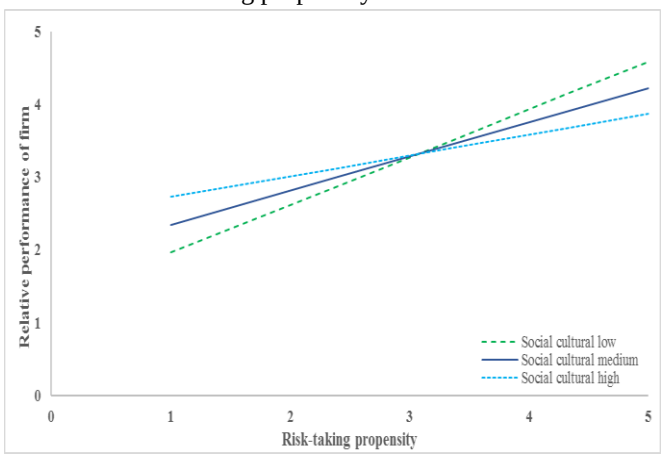

**3a:** Moderation effect of social-cultural context on the influence of need for achievement on FPF



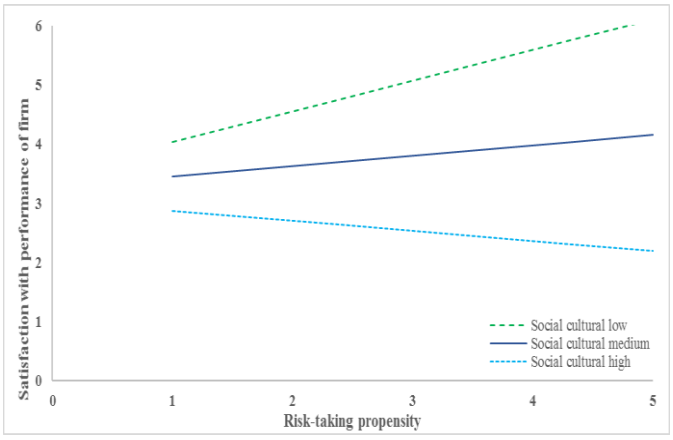

**3b:** Moderation effect of social-cultural context on the influence of risk-taking propensity on FPF



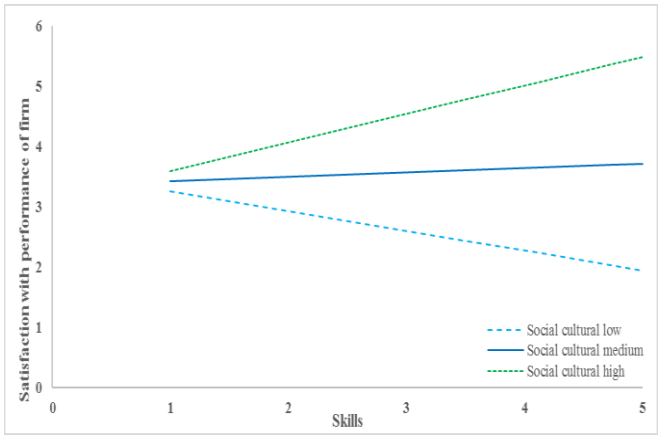

**3c:** Moderation effect of social-cultural context on the influence of skills on FPF



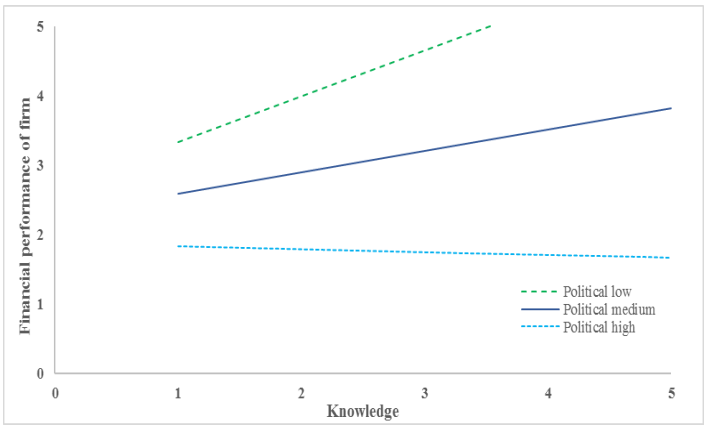

**3d:** Moderation effect of social-cultural context on the influence of risk-taking propensity on RPF



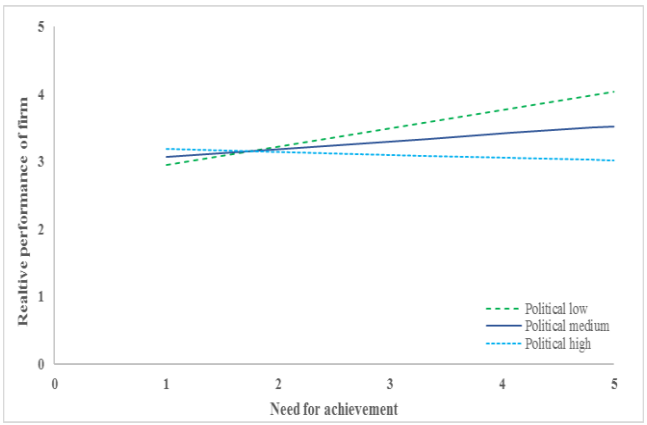

**3e:** Moderation effect of social-cultural context on the influence of risk-taking propensity on SPF



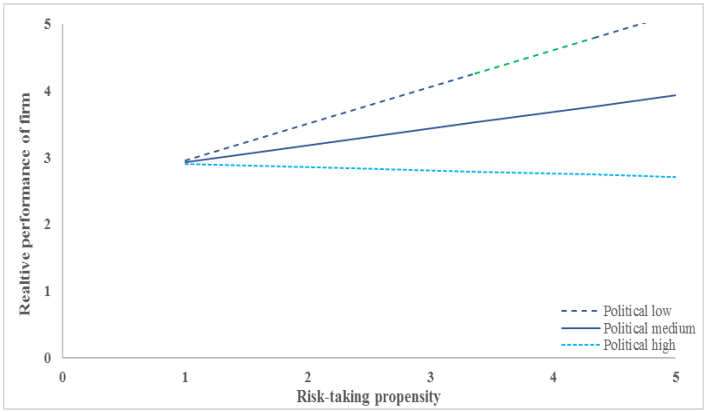

**3f:** Moderation effect of social-cultural context on the influence of skills on SPF



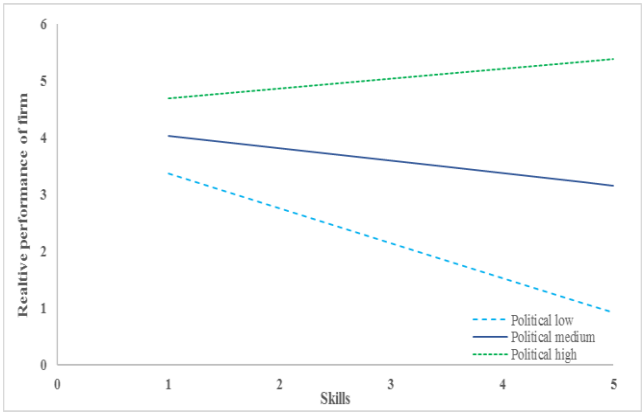

**3g:** Moderation effect of political context on the influence of knowledge on FPF



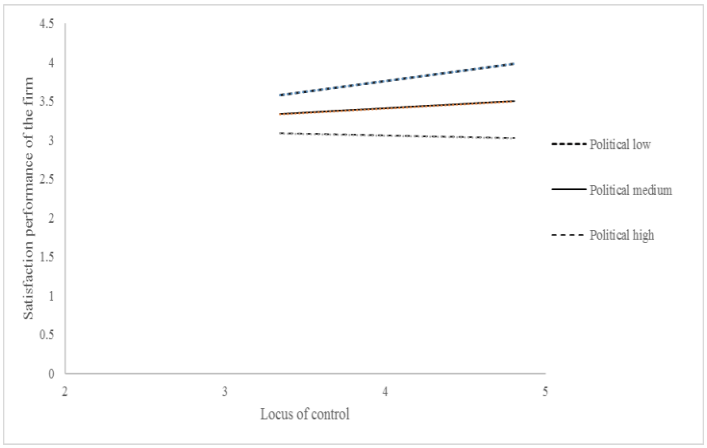

**3h:** Moderation effect of political context on the influence of need for achievement on RPF



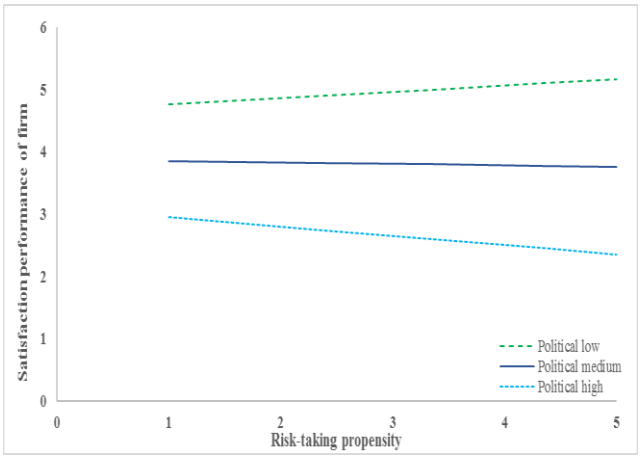

**3i:** Moderation effect of political context on the influence of risk-taking propensity on RPF



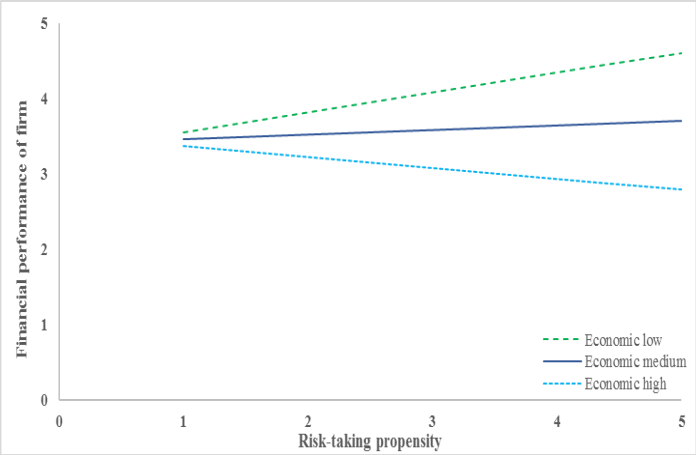

**3j:** Moderation effect of political context on the influence of Skills on RPF



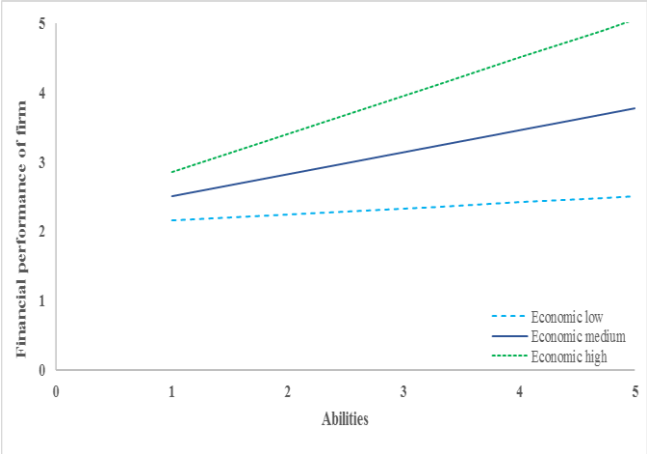

**3k:** Moderation effect of political context on the influence of locus of control of SPF



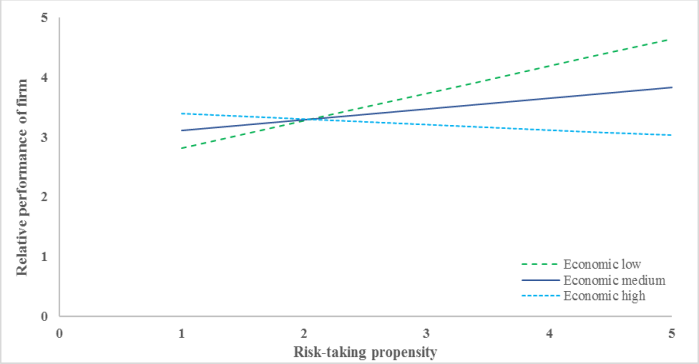

**3l:** Moderation effect of political context on the influence of risk-taking propensity of SPF



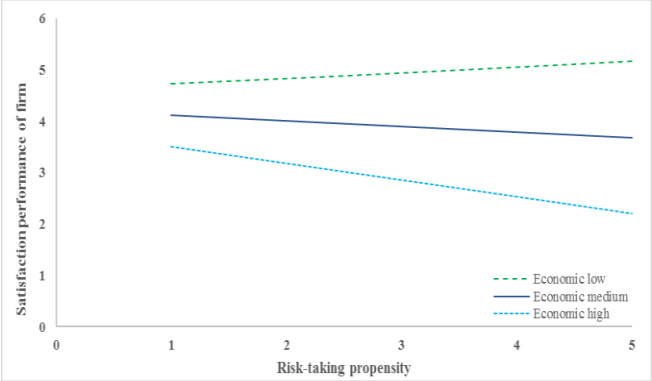

**3m:** Moderation effect of economic context on the influence of risk-taking propensity on FPF



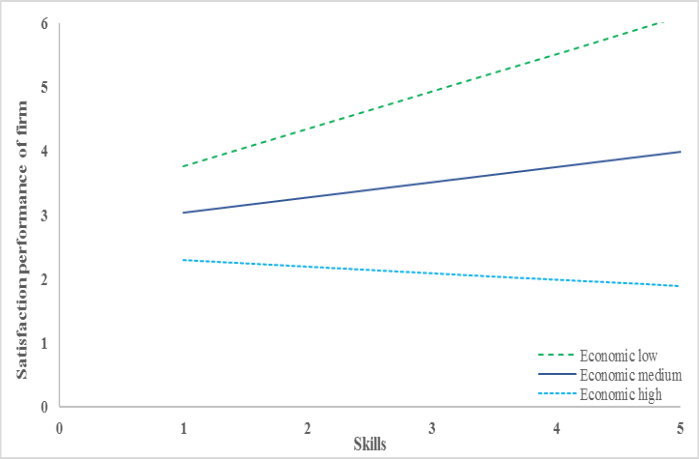

**3n:** Moderation effect of economic context on the influence of abilities on FPF




**3o:** Moderation effect of economic context on the influence of risk-taking propensity




**3p:** Moderation effect of economic context on the influence of risk-taking propensity




**3q:** Moderation effect of economic context on the influence of skills

## Appendix 4: Tables of Conditional Effects at Different Values of the Moderators

**4a:** The conditional effect of **need for achievement** on **financial performance** of the firm at different values of the moderator (social-cultural environment)

| SC | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.500 | -0.442 | 0.413 | -1.071 | 0.285 | -1.255 | 0.370 |
| 1.675 | -0.383 | 0.384 | -0.999 | 0.319 | -1.138 | 0.372 |
| 1.850 | -0.324 | 0.354 | -0.913 | 0.362 | -1.021 | 0.374 |
| 2.025 | -0.264 | 0.325 | -0.813 | 0.417 | -0.904 | 0.376 |
| 2.200 | -0.205 | 0.296 | -0.691 | 0.490 | -0.788 | 0.378 |
| 2.375 | -0.145 | 0.268 | -0.543 | 0.587 | -0.672 | 0.381 |
| 2.550 | -0.086 | 0.239 | -0.360 | 0.719 | -0.557 | 0.385 |
| 2.725 | -0.027 | 0.211 | -0.126 | 0.900 | -0.442 | 0.389 |
| 2.900 | 0.033 | 0.184 | 0.178 | 0.859 | -0.330 | 0.395 |
| 3.075 | 0.092 | 0.158 | 0.584 | 0.560 | -0.219 | 0.403 |
| 3.250 | 0.152 | 0.133 | 1.137 | 0.257 | -0.111 | 0.414 |
| 3.425 | 0.211 | 0.112 | 1.892 | 0.060 | -0.009 | 0.430 |
| **3.440** | **0.216** | **0.110** | **1.968** | **0.050** | **0.000** | **0.432** |
| 3.600 | 0.270 | 0.094 | 2.866 | 0.004 | 0.085 | 0.456 |
| 3.775 | 0.330 | 0.085 | 3.898 | 0.000 | 0.163 | 0.496 |
| 3.950 | 0.389 | 0.085 | 4.579 | 0.000 | 0.222 | 0.556 |
| 4.125 | 0.449 | 0.095 | 4.704 | 0.000 | 0.261 | 0.636 |
| 4.300 | 0.508 | 0.113 | 4.495 | 0.000 | 0.286 | 0.730 |
| 4.475 | 0.567 | 0.135 | 4.200 | 0.000 | 0.302 | 0.833 |
| 4.650 | 0.627 | 0.160 | 3.923 | 0.000 | 0.312 | 0.941 |
| 4.825 | 0.686 | 0.186 | 3.688 | 0.000 | 0.320 | 1.052 |
| 5.000 | 0.746 | 0.213 | 3.495 | 0.001 | 0.326 | 1.165 |

**4b:** The conditional effect of **risk-taking propensity** on **financial performance** of the firm at different values of the moderator (social-cultural environment)

| SC | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.500 | 0.953 | 0.241 | 3.947 | 0.000 | 0.478 | 1.428 |
| 1.675 | 0.904 | 0.226 | 3.997 | 0.000 | 0.459 | 1.349 |
| 1.850 | 0.855 | 0.211 | 4.052 | 0.000 | 0.440 | 1.271 |
| 2.025 | 0.807 | 0.196 | 4.114 | 0.000 | 0.421 | 1.193 |
| 2.200 | 0.758 | 0.181 | 4.184 | 0.000 | 0.402 | 1.115 |
| 2.375 | 0.709 | 0.166 | 4.264 | 0.000 | 0.382 | 1.037 |
| 2.550 | 0.661 | 0.152 | 4.353 | 0.000 | 0.362 | 0.959 |
| 2.725 | 0.612 | 0.137 | 4.455 | 0.000 | 0.342 | 0.882 |
| 2.900 | 0.563 | 0.123 | 4.569 | 0.000 | 0.321 | 0.806 |
| 3.075 | 0.515 | 0.110 | 4.695 | 0.000 | 0.299 | 0.730 |
| 3.250 | 0.466 | 0.097 | 4.827 | 0.000 | 0.276 | 0.656 |
| 3.425 | 0.417 | 0.084 | 4.949 | 0.000 | 0.251 | 0.583 |
| 3.600 | 0.369 | 0.073 | 5.020 | 0.000 | 0.224 | 0.513 |
| 3.775 | 0.320 | 0.065 | 4.961 | 0.000 | 0.193 | 0.447 |
| 3.950 | 0.271 | 0.058 | 4.641 | 0.000 | 0.156 | 0.387 |
| 4.125 | 0.223 | 0.056 | 3.960 | 0.000 | 0.112 | 0.333 |
| 4.300 | 0.174 | 0.058 | 2.987 | 0.003 | 0.059 | 0.289 |
| **4.473** | **0.126** | **0.064** | **1.968** | **0.050** | **0.000** | **0.252** |
| 4.475 | 0.125 | 0.064 | 1.955 | 0.052 | -0.001 | 0.252 |
| 4.650 | 0.077 | 0.073 | 1.052 | 0.294 | -0.067 | 0.220 |
| 4.825 | 0.028 | 0.084 | 0.336 | 0.737 | -0.137 | 0.193 |
| 5.000 | -0.021 | 0.096 | -0.214 | 0.831 | -0.209 | 0.168 |

**4c**: The conditional effect of **skills** on **financial performance** of the firm at different values of the moderator (social-cultural environment)

| SC | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.500 | -0.916 | 0.528 | -1.734 | 0.084 | -1.956 | 0.123 |
| 1.675 | -0.831 | 0.493 | -1.686 | 0.093 | -1.802 | 0.139 |
| 1.850 | -0.747 | 0.459 | -1.629 | 0.104 | -1.649 | 0.155 |
| 2.025 | -0.662 | 0.424 | -1.562 | 0.119 | -1.497 | 0.172 |
| 2.200 | -0.578 | 0.390 | -1.482 | 0.139 | -1.345 | 0.189 |
| 2.375 | -0.493 | 0.356 | -1.385 | 0.167 | -1.194 | 0.207 |
| 2.550 | -0.409 | 0.323 | -1.266 | 0.206 | -1.044 | 0.227 |
| 2.725 | -0.324 | 0.290 | -1.117 | 0.265 | -0.895 | 0.247 |
| 2.900 | -0.239 | 0.259 | -0.926 | 0.355 | -0.748 | 0.269 |
| 3.075 | -0.155 | 0.228 | -0.678 | 0.498 | -0.604 | 0.294 |
| 3.250 | -0.070 | 0.200 | -0.351 | 0.726 | -0.464 | 0.323 |
| 3.425 | 0.014 | 0.175 | 0.082 | 0.935 | -0.330 | 0.358 |
| 3.600 | 0.099 | 0.154 | 0.643 | 0.521 | -0.204 | 0.402 |
| 3.775 | 0.183 | 0.139 | 1.316 | 0.189 | -0.091 | 0.458 |
| **3.939** | **0.263** | **0.134** | **1.968** | **0.050** | **0.000** | **0.526** |
| 3.950 | 0.268 | 0.133 | 2.008 | 0.046 | 0.005 | 0.531 |
| 4.125 | 0.353 | 0.137 | 2.571 | 0.011 | 0.083 | 0.623 |
| 4.300 | 0.437 | 0.150 | 2.919 | 0.004 | 0.142 | 0.732 |
| 4.475 | 0.522 | 0.169 | 3.081 | 0.002 | 0.189 | 0.855 |
| 4.650 | 0.606 | 0.194 | 3.130 | 0.002 | 0.225 | 0.988 |
| 4.825 | 0.691 | 0.221 | 3.121 | 0.002 | 0.255 | 1.127 |
| 5.000 | 0.775 | 0.251 | 3.087 | 0.002 | 0.281 | 1.270 |

**4d:** The conditional effect of **risk-taking propensity** on **relative performance** of the firm at different values of the moderator (social-cultural environment)

| SC | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.500 | 1.124 | 0.260 | 4.324 | 0.000 | 0.612 | 1.635 |
| 1.675 | 1.077 | 0.244 | 4.421 | 0.000 | 0.597 | 1.556 |
| 1.850 | 1.030 | 0.227 | 4.531 | 0.000 | 0.582 | 1.477 |
| 2.025 | 0.983 | 0.211 | 4.656 | 0.000 | 0.567 | 1.398 |
| 2.200 | 0.936 | 0.195 | 4.799 | 0.000 | 0.552 | 1.320 |
| 2.375 | 0.889 | 0.179 | 4.963 | 0.000 | 0.537 | 1.242 |
| 2.550 | 0.842 | 0.163 | 5.154 | 0.000 | 0.521 | 1.164 |
| 2.725 | 0.795 | 0.148 | 5.376 | 0.000 | 0.504 | 1.086 |
| 2.900 | 0.748 | 0.133 | 5.637 | 0.000 | 0.487 | 1.010 |
| 3.075 | 0.701 | 0.118 | 5.943 | 0.000 | 0.469 | 0.934 |
| 3.250 | 0.655 | 0.104 | 6.297 | 0.000 | 0.450 | 0.859 |
| 3.425 | 0.608 | 0.091 | 6.691 | 0.000 | 0.429 | 0.786 |
| 3.600 | 0.561 | 0.079 | 7.091 | 0.000 | 0.405 | 0.716 |
| 3.775 | 0.514 | 0.069 | 7.397 | 0.000 | 0.377 | 0.651 |
| 3.950 | 0.467 | 0.063 | 7.416 | 0.000 | 0.343 | 0.591 |
| 4.125 | 0.420 | 0.061 | 6.936 | 0.000 | 0.301 | 0.539 |
| 4.300 | 0.373 | 0.063 | 5.947 | 0.000 | 0.250 | 0.497 |
| 4.475 | 0.326 | 0.069 | 4.723 | 0.000 | 0.190 | 0.462 |
| 4.650 | 0.279 | 0.079 | 3.556 | 0.000 | 0.125 | 0.434 |
| 4.825 | 0.233 | 0.090 | 2.577 | 0.010 | 0.055 | 0.410 |
| **4.958** | **0.197** | **0.100** | **1.968** | **0.050** | **0.000** | **0.394** |
| 5.000 | 0.186 | 0.103 | 1.797 | 0.073 | -0.018 | 0.389 |

**4e:** The conditional effect of **risk-taking propensity** on **satisfaction with performance** of the firm at different values of the moderator (social-cultural environment)

| SC | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.500 | 1.393 | 0.206 | 6.767 | 0.000 | 0.988 | 1.798 |
| 1.675 | 1.306 | 0.193 | 6.768 | 0.000 | 0.926 | 1.685 |
| 1.850 | 1.218 | 0.180 | 6.766 | 0.000 | 0.864 | 1.573 |
| 2.025 | 1.131 | 0.167 | 6.762 | 0.000 | 0.802 | 1.460 |
| 2.200 | 1.043 | 0.155 | 6.753 | 0.000 | 0.739 | 1.347 |
| 2.375 | 0.956 | 0.142 | 6.736 | 0.000 | 0.677 | 1.235 |
| 2.550 | 0.869 | 0.129 | 6.710 | 0.000 | 0.614 | 1.123 |
| 2.725 | 0.781 | 0.117 | 6.666 | 0.000 | 0.551 | 1.012 |
| 2.900 | 0.694 | 0.105 | 6.597 | 0.000 | 0.487 | 0.901 |
| 3.075 | 0.606 | 0.094 | 6.485 | 0.000 | 0.422 | 0.790 |
| 3.250 | 0.519 | 0.082 | 6.302 | 0.000 | 0.357 | 0.681 |
| 3.425 | 0.432 | 0.072 | 5.999 | 0.000 | 0.290 | 0.573 |
| 3.600 | 0.344 | 0.063 | 5.494 | 0.000 | 0.221 | 0.467 |
| 3.775 | 0.257 | 0.055 | 4.665 | 0.000 | 0.148 | 0.365 |
| 3.950 | 0.169 | 0.050 | 3.396 | 0.001 | 0.071 | 0.268 |
| **4.100** | **0.095** | **0.048** | **1.968** | **0.050** | **0.000** | **0.189** |
| 4.125 | 0.082 | 0.048 | 1.709 | 0.089 | -0.012 | 0.176 |
| 4.300 | -0.005 | 0.050 | -0.109 | 0.913 | -0.103 | 0.092 |
| 4.475 | -0.093 | 0.055 | -1.696 | 0.091 | -0.201 | 0.015 |
| **4.510** | **-0.110** | **0.056** | **-1.968** | **0.050** | **-0.221** | **0.000** |
| 4.650 | -0.180 | 0.062 | -2.895 | 0.004 | -0.303 | -0.058 |
| 4.825 | -0.268 | 0.071 | -3.744 | 0.000 | -0.408 | -0.127 |
| 5.000 | -0.355 | 0.082 | -4.337 | 0.000 | -0.516 | -0.194 |

**4f:** The conditional effect of **skills** on **satisfaction with performance** of the firm at different values of the moderator (social-cultural environment)

| SC | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.500 | -1.343 | 0.451 | -2.980 | 0.003 | -2.229 | -0.456 |
| 1.675 | -1.241 | 0.421 | -2.950 | 0.003 | -2.069 | -0.413 |
| 1.850 | -1.139 | 0.391 | -2.913 | 0.004 | -1.909 | -0.370 |
| 2.025 | -1.038 | 0.362 | -2.869 | 0.004 | -1.749 | -0.326 |
| 2.200 | -0.936 | 0.332 | -2.815 | 0.005 | -1.590 | -0.282 |
| 2.375 | -0.834 | 0.304 | -2.747 | 0.006 | -1.432 | -0.237 |
| 2.550 | -0.733 | 0.275 | -2.661 | 0.008 | -1.274 | -0.191 |
| 2.725 | -0.631 | 0.247 | -2.549 | 0.011 | -1.118 | -0.144 |
| 2.900 | -0.529 | 0.221 | -2.399 | 0.017 | -0.963 | -0.095 |
| 3.075 | -0.427 | 0.195 | -2.195 | 0.029 | -0.811 | -0.044 |
| **3.218** | **-0.344** | **0.175** | **-1.968** | **0.050** | **-0.688** | **0.000** |
| 3.250 | -0.326 | 0.171 | -1.909 | 0.057 | -0.661 | 0.010 |
| 3.425 | -0.224 | 0.149 | -1.503 | 0.134 | -0.517 | 0.069 |
| 3.600 | -0.122 | 0.131 | -0.931 | 0.352 | -0.380 | 0.136 |
| 3.775 | -0.021 | 0.119 | -0.173 | 0.863 | -0.255 | 0.213 |
| 3.950 | 0.081 | 0.114 | 0.713 | 0.476 | -0.143 | 0.305 |
| 4.125 | 0.183 | 0.117 | 1.563 | 0.119 | -0.047 | 0.413 |
| **4.224** | **0.241** | **0.122** | **1.968** | **0.050** | **0.000** | **0.481** |
| 4.300 | 0.285 | 0.128 | 2.228 | 0.027 | 0.033 | 0.536 |
| 4.475 | 0.386 | 0.144 | 2.675 | 0.008 | 0.102 | 0.671 |
| 4.650 | 0.488 | 0.165 | 2.953 | 0.003 | 0.163 | 0.813 |
| 4.825 | 0.590 | 0.189 | 3.123 | 0.002 | 0.218 | 0.961 |
| 5.000 | 0.691 | 0.214 | 3.226 | 0.001 | 0.270 | 1.113 |

**4g:** The conditional effect of **knowledge** on **financial performance** of the firm at different values of the moderator (political environment)

| POL | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 1.139 | 0.436 | 2.616 | 0.009 | 0.282 | 1.997 |
| 1.200 | 1.073 | 0.407 | 2.634 | 0.009 | 0.271 | 1.874 |
| 1.400 | 1.006 | 0.379 | 2.653 | 0.008 | 0.260 | 1.752 |
| 1.600 | 0.939 | 0.351 | 2.673 | 0.008 | 0.248 | 1.630 |
| 1.800 | 0.872 | 0.324 | 2.694 | 0.007 | 0.235 | 1.509 |
| 2.000 | 0.805 | 0.296 | 2.716 | 0.007 | 0.222 | 1.389 |
| 2.200 | 0.738 | 0.270 | 2.736 | 0.007 | 0.207 | 1.269 |
| 2.400 | 0.671 | 0.244 | 2.753 | 0.006 | 0.192 | 1.151 |
| 2.600 | 0.605 | 0.219 | 2.762 | 0.006 | 0.174 | 1.035 |
| 2.800 | 0.538 | 0.195 | 2.755 | 0.006 | 0.154 | 0.922 |
| 3.000 | 0.471 | 0.173 | 2.717 | 0.007 | 0.130 | 0.812 |
| 3.200 | 0.404 | 0.154 | 2.622 | 0.009 | 0.101 | 0.707 |
| 3.400 | 0.337 | 0.139 | 2.433 | 0.016 | 0.064 | 0.610 |
| 3.600 | 0.270 | 0.128 | 2.109 | 0.036 | 0.018 | 0.523 |
| **3.667** | **0.248** | **0.126** | **1.968** | **0.050** | **0.000** | **0.496** |
| 3.800 | 0.203 | 0.124 | 1.640 | 0.102 | -0.041 | 0.448 |
| 4.000 | 0.137 | 0.127 | 1.075 | 0.283 | -0.113 | 0.387 |
| 4.200 | 0.070 | 0.137 | 0.511 | 0.610 | -0.199 | 0.338 |
| 4.400 | 0.003 | 0.151 | 0.019 | 0.985 | -0.295 | 0.301 |
| 4.600 | -0.064 | 0.170 | -0.376 | 0.707 | -0.399 | 0.271 |
| 4.800 | -0.131 | 0.192 | -0.683 | 0.495 | -0.508 | 0.246 |
| 5.000 | -0.198 | 0.215 | -0.919 | 0.359 | -0.621 | 0.225 |

**4h:** The conditional effect of **need for achievement** on **relative performance** of the firm at different values of the moderator (political environment)

| POL | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 0.484 | 0.177 | 2.737 | 0.007 | 0.136 | 0.832 |
| 1.200 | 0.454 | 0.166 | 2.740 | 0.007 | 0.128 | 0.781 |
| 1.400 | 0.425 | 0.155 | 2.736 | 0.007 | 0.119 | 0.730 |
| 1.600 | 0.395 | 0.145 | 2.724 | 0.007 | 0.110 | 0.680 |
| 1.800 | 0.365 | 0.135 | 2.698 | 0.007 | 0.099 | 0.631 |
| 2.000 | 0.335 | 0.126 | 2.654 | 0.008 | 0.087 | 0.584 |
| 2.200 | 0.305 | 0.118 | 2.584 | 0.010 | 0.073 | 0.538 |
| 2.400 | 0.276 | 0.111 | 2.481 | 0.014 | 0.057 | 0.494 |
| 2.600 | 0.246 | 0.105 | 2.335 | 0.020 | 0.039 | 0.453 |
| 2.800 | 0.216 | 0.101 | 2.140 | 0.033 | 0.017 | 0.415 |
| **2.945** | **0.194** | **0.099** | **1.968** | **0.050** | **0.000** | **0.389** |
| 3.000 | 0.186 | 0.098 | 1.895 | 0.059 | -0.007 | 0.379 |
| 3.200 | 0.156 | 0.097 | 1.607 | 0.109 | -0.035 | 0.348 |
| 3.400 | 0.127 | 0.098 | 1.287 | 0.199 | -0.067 | 0.320 |
| 3.600 | 0.097 | 0.101 | 0.957 | 0.339 | -0.102 | 0.296 |
| 3.800 | 0.067 | 0.105 | 0.635 | 0.526 | -0.141 | 0.275 |
| 4.000 | 0.037 | 0.111 | 0.333 | 0.739 | -0.182 | 0.256 |
| 4.200 | 0.007 | 0.118 | 0.062 | 0.951 | -0.226 | 0.241 |
| 4.400 | -0.022 | 0.127 | -0.177 | 0.859 | -0.272 | 0.227 |
| 4.600 | -0.052 | 0.136 | -0.385 | 0.700 | -0.319 | 0.215 |
| 4.800 | -0.082 | 0.145 | -0.565 | 0.573 | -0.368 | 0.204 |
| 5.000 | -0.112 | 0.156 | -0.719 | 0.473 | -0.418 | 0.194 |

**4i:** The conditional effect of **risk-taking propensity** on **relative performance** of the firm at different values of the moderator (political environment)

| POL | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 0.960 | 0.175 | 5.493 | 0.000 | 0.616 | 1.304 |
| 1.200 | 0.903 | 0.163 | 5.553 | 0.000 | 0.583 | 1.223 |
| 1.400 | 0.846 | 0.151 | 5.617 | 0.000 | 0.549 | 1.142 |
| 1.600 | 0.789 | 0.139 | 5.683 | 0.000 | 0.516 | 1.062 |
| 1.800 | 0.731 | 0.127 | 5.748 | 0.000 | 0.481 | 0.982 |
| 2.000 | 0.674 | 0.116 | 5.806 | 0.000 | 0.446 | 0.903 |
| 2.200 | 0.617 | 0.105 | 5.850 | 0.000 | 0.409 | 0.825 |
| 2.400 | 0.560 | 0.095 | 5.862 | 0.000 | 0.372 | 0.748 |
| 2.600 | 0.503 | 0.086 | 5.817 | 0.000 | 0.333 | 0.673 |
| 2.800 | 0.445 | 0.079 | 5.672 | 0.000 | 0.291 | 0.600 |
| 3.000 | 0.388 | 0.072 | 5.373 | 0.000 | 0.246 | 0.530 |
| 3.200 | 0.331 | 0.068 | 4.867 | 0.000 | 0.197 | 0.465 |
| 3.400 | 0.274 | 0.066 | 4.136 | 0.000 | 0.144 | 0.404 |
| 3.600 | 0.217 | 0.067 | 3.231 | 0.001 | 0.085 | 0.349 |
| 3.800 | 0.159 | 0.070 | 2.264 | 0.024 | 0.021 | 0.298 |
| **3.862** | **0.142** | **0.072** | **1.968** | **0.050** | **0.000** | **0.283** |
| 4.000 | 0.102 | 0.076 | 1.345 | 0.180 | -0.047 | 0.252 |
| 4.200 | 0.045 | 0.083 | 0.540 | 0.590 | -0.119 | 0.209 |
| 4.400 | -0.012 | 0.092 | -0.133 | 0.894 | -0.193 | 0.169 |
| 4.600 | -0.069 | 0.102 | -0.683 | 0.495 | -0.270 | 0.131 |
| 4.800 | -0.127 | 0.112 | -1.130 | 0.260 | -0.347 | 0.094 |
| 5.000 | -0.184 | 0.123 | -1.494 | 0.136 | -0.426 | 0.058 |

**4j:** The conditional effect of **skill** on **relative performance** of the firm at different values of the moderator (political environment)

| POL | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | -1.150 | 0.571 | -2.014 | 0.045 | -2.275 | -0.026 |
| 1.200 | -1.075 | 0.535 | -2.012 | 0.045 | -2.128 | -0.023 |
| 1.400 | -1.001 | 0.498 | -2.009 | 0.045 | -1.981 | -0.020 |
| 1.600 | -0.926 | 0.462 | -2.004 | 0.046 | -1.835 | -0.017 |
| 1.800 | -0.851 | 0.426 | -1.998 | 0.047 | -1.689 | -0.013 |
| 2.000 | -0.776 | 0.390 | -1.989 | 0.048 | -1.544 | -0.008 |
| 2.200 | -0.701 | 0.355 | -1.975 | 0.049 | -1.400 | -0.002 |
| **2.273** | **-0.674** | **0.342** | **-1.968** | **0.050** | **-1.348** | **0.000** |
| 2.400 | -0.626 | 0.320 | -1.954 | 0.052 | -1.257 | 0.005 |
| 2.600 | -0.551 | 0.287 | -1.922 | 0.056 | -1.116 | 0.013 |
| 2.800 | -0.476 | 0.254 | -1.874 | 0.062 | -0.977 | 0.024 |
| 3.000 | -0.402 | 0.223 | -1.797 | 0.073 | -0.841 | 0.038 |
| 3.200 | -0.327 | 0.195 | -1.674 | 0.095 | -0.711 | 0.057 |
| 3.400 | -0.252 | 0.171 | -1.476 | 0.141 | -0.588 | 0.084 |
| 3.600 | -0.177 | 0.152 | -1.166 | 0.244 | -0.475 | 0.122 |
| 3.800 | -0.102 | 0.141 | -0.726 | 0.469 | -0.379 | 0.175 |
| 4.000 | -0.027 | 0.139 | -0.195 | 0.846 | -0.301 | 0.247 |
| 4.200 | 0.048 | 0.148 | 0.323 | 0.747 | -0.243 | 0.339 |
| 4.400 | 0.123 | 0.165 | 0.743 | 0.458 | -0.202 | 0.448 |
| 4.600 | 0.198 | 0.189 | 1.048 | 0.296 | -0.173 | 0.569 |
| 4.800 | 0.272 | 0.216 | 1.261 | 0.208 | -0.153 | 0.698 |
| 5.000 | 0.347 | 0.246 | 1.410 | 0.160 | -0.137 | 0.832 |

**4k:** The conditional effect of **locus of control** on **satisfaction with the performance** of the firm at different values of the moderator (political environment)

| POL | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | -1.302 | 0.290 | -4.489 | 0.000 | -1.873 | -0.731 |
| 1.200 | -1.211 | 0.271 | -4.470 | 0.000 | -1.744 | -0.678 |
| 1.400 | -1.120 | 0.252 | -4.445 | 0.000 | -1.617 | -0.624 |
| 1.600 | -1.030 | 0.233 | -4.411 | 0.000 | -1.489 | -0.570 |
| 1.800 | -0.939 | 0.215 | -4.365 | 0.000 | -1.362 | -0.516 |
| 2.000 | -0.848 | 0.197 | -4.301 | 0.000 | -1.236 | -0.460 |
| 2.200 | -0.758 | 0.180 | -4.214 | 0.000 | -1.112 | -0.404 |
| 2.400 | -0.667 | 0.163 | -4.090 | 0.000 | -0.988 | -0.346 |
| 2.600 | -0.576 | 0.147 | -3.914 | 0.000 | -0.866 | -0.286 |
| 2.800 | -0.486 | 0.133 | -3.661 | 0.000 | -0.747 | -0.225 |
| 3.000 | -0.395 | 0.120 | -3.299 | 0.001 | -0.630 | -0.159 |
| 3.200 | -0.304 | 0.109 | -2.789 | 0.006 | -0.519 | -0.090 |
| 3.400 | -0.213 | 0.101 | -2.105 | 0.036 | -0.413 | -0.014 |
| **3.435** | **-0.198** | **0.100** | **-1.968** | **0.050** | **-0.395** | **0.000** |
| 3.600 | -0.123 | 0.097 | -1.259 | 0.209 | -0.314 | 0.069 |
| 3.800 | -0.032 | 0.098 | -0.328 | 0.743 | -0.224 | 0.160 |
| 4.000 | 0.059 | 0.102 | 0.576 | 0.565 | -0.142 | 0.259 |
| 4.200 | 0.149 | 0.110 | 1.359 | 0.175 | -0.067 | 0.366 |
| **4.393** | **0.237** | **0.120** | **1.968** | **0.050** | **0.000** | **0.474** |
| 4.400 | 0.240 | 0.121 | 1.987 | 0.048 | 0.002 | 0.478 |
| 4.600 | 0.331 | 0.134 | 2.469 | 0.014 | 0.067 | 0.595 |
| 4.800 | 0.422 | 0.149 | 2.834 | 0.005 | 0.129 | 0.714 |
| 5 | 0.512 | 0.165 | 3.11 | 0.002 | 0.188 | 0.836 |

**4l:** The conditional effect of **risk-taking propensity** on **satisfaction with the performance** of the firm at different values of the moderator (political environment)

| POL | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 0.271 | 0.145 | 1.862 | 0.064 | -0.015 | 0.557 |
| 1.200 | 0.247 | 0.135 | 1.826 | 0.069 | -0.019 | 0.514 |
| 1.400 | 0.223 | 0.125 | 1.783 | 0.076 | -0.023 | 0.470 |
| 1.600 | 0.200 | 0.115 | 1.729 | 0.085 | -0.028 | 0.427 |
| 1.800 | 0.176 | 0.106 | 1.662 | 0.098 | -0.032 | 0.384 |
| 2.000 | 0.152 | 0.097 | 1.576 | 0.116 | -0.038 | 0.342 |
| 2.200 | 0.129 | 0.088 | 1.465 | 0.144 | -0.044 | 0.301 |
| 2.400 | 0.105 | 0.079 | 1.319 | 0.188 | -0.052 | 0.261 |
| 2.600 | 0.081 | 0.072 | 1.128 | 0.260 | -0.060 | 0.223 |
| 2.800 | 0.057 | 0.065 | 0.878 | 0.380 | -0.071 | 0.186 |
| 3.000 | 0.034 | 0.060 | 0.560 | 0.576 | -0.085 | 0.152 |
| 3.200 | 0.010 | 0.057 | 0.176 | 0.860 | -0.101 | 0.121 |
| 3.400 | -0.014 | 0.055 | -0.250 | 0.803 | -0.122 | 0.095 |
| 3.600 | -0.037 | 0.056 | -0.672 | 0.502 | -0.147 | 0.072 |
| 3.800 | -0.061 | 0.059 | -1.044 | 0.297 | -0.177 | 0.054 |
| 4.000 | -0.085 | 0.063 | -1.343 | 0.180 | -0.209 | 0.040 |
| 4.200 | -0.109 | 0.069 | -1.567 | 0.118 | -0.245 | 0.028 |
| 4.400 | -0.132 | 0.077 | -1.729 | 0.085 | -0.283 | 0.018 |
| 4.600 | -0.156 | 0.085 | -1.844 | 0.066 | -0.323 | 0.010 |
| 4.800 | -0.180 | 0.093 | -1.927 | 0.055 | -0.363 | 0.004 |
| **4.929** | **-0.195** | **0.099** | **-1.968** | **0.050** | **-0.390** | **0.000** |
| 5.000 | -0.204 | 0.102 | -1.987 | 0.048 | -0.405 | -0.002 |

**4m:** The conditional effect of **risk-taking propensity** on **financial performance** of the firm at different values of the moderator (economic environment)

| ECO | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 0.551 | 0.149 | 3.690 | 0.000 | 0.257 | 0.845 |
| 1.200 | 0.510 | 0.138 | 3.680 | 0.000 | 0.237 | 0.782 |
| 1.400 | 0.468 | 0.128 | 3.662 | 0.000 | 0.217 | 0.720 |
| 1.600 | 0.427 | 0.118 | 3.630 | 0.000 | 0.196 | 0.659 |
| 1.800 | 0.386 | 0.108 | 3.579 | 0.000 | 0.174 | 0.598 |
| 2.000 | 0.345 | 0.099 | 3.500 | 0.001 | 0.151 | 0.539 |
| 2.200 | 0.304 | 0.090 | 3.378 | 0.001 | 0.127 | 0.481 |
| 2.400 | 0.263 | 0.082 | 3.195 | 0.002 | 0.101 | 0.424 |
| 2.600 | 0.221 | 0.076 | 2.928 | 0.004 | 0.073 | 0.370 |
| 2.800 | 0.180 | 0.071 | 2.555 | 0.011 | 0.041 | 0.319 |
| 3.000 | 0.139 | 0.067 | 2.066 | 0.040 | 0.007 | 0.271 |
| **3.036** | **0.132** | **0.067** | **1.968** | **0.050** | **0.000** | **0.263** |
| 3.200 | 0.098 | 0.066 | 1.479 | 0.140 | -0.032 | 0.228 |
| 3.400 | 0.057 | 0.067 | 0.843 | 0.400 | -0.076 | 0.189 |
| 3.600 | 0.015 | 0.070 | 0.220 | 0.826 | -0.123 | 0.154 |
| 3.800 | -0.026 | 0.075 | -0.341 | 0.733 | -0.174 | 0.123 |
| 4.000 | -0.067 | 0.082 | -0.816 | 0.415 | -0.228 | 0.094 |
| 4.200 | -0.108 | 0.090 | -1.205 | 0.229 | -0.285 | 0.068 |
| 4.400 | -0.149 | 0.098 | -1.519 | 0.130 | -0.343 | 0.044 |
| 4.600 | -0.190 | 0.108 | -1.770 | 0.078 | -0.402 | 0.021 |
| **4.795** | **-0.231** | **0.117** | **-1.968** | **0.050** | **-0.461** | **0.000** |
| 4.800 | -0.232 | 0.117 | -1.973 | 0.049 | -0.463 | -0.001 |
| 5 | -0.273 | 0.128 | -2.137 | 0.033 | -0.524 | -0.022 |

**4n:** The conditional effect of **abilities** on **financial performance** of the firm at different values of the moderator (economic environment)

| ECO | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | -0.239 | 0.222 | -1.078 | 0.282 | -0.676 | 0.198 |
| 1.200 | -0.193 | 0.207 | -0.928 | 0.354 | -0.601 | 0.216 |
| 1.400 | -0.146 | 0.193 | -0.755 | 0.451 | -0.526 | 0.235 |
| 1.600 | -0.099 | 0.180 | -0.552 | 0.581 | -0.453 | 0.254 |
| 1.800 | -0.052 | 0.167 | -0.315 | 0.753 | -0.381 | 0.276 |
| 2.000 | -0.006 | 0.155 | -0.037 | 0.970 | -0.310 | 0.299 |
| 2.200 | 0.041 | 0.144 | 0.285 | 0.776 | -0.242 | 0.324 |
| 2.400 | 0.088 | 0.134 | 0.654 | 0.514 | -0.176 | 0.352 |
| 2.600 | 0.134 | 0.126 | 1.066 | 0.287 | -0.114 | 0.383 |
| 2.800 | 0.181 | 0.120 | 1.509 | 0.132 | -0.055 | 0.417 |
| 3.000 | 0.228 | 0.116 | 1.958 | 0.051 | -0.001 | 0.457 |
| **3.004** | **0.229** | **0.116** | **1.968** | **0.050** | **0.000** | **0.458** |
| 3.200 | 0.275 | 0.115 | 2.385 | 0.018 | 0.048 | 0.501 |
| 3.400 | 0.321 | 0.116 | 2.758 | 0.006 | 0.092 | 0.551 |
| 3.600 | 0.368 | 0.120 | 3.057 | 0.002 | 0.131 | 0.605 |
| 3.800 | 0.415 | 0.127 | 3.278 | 0.001 | 0.166 | 0.664 |
| 4.000 | 0.461 | 0.135 | 3.427 | 0.001 | 0.196 | 0.726 |
| 4.200 | 0.508 | 0.144 | 3.520 | 0.000 | 0.224 | 0.792 |
| 4.400 | 0.555 | 0.155 | 3.570 | 0.000 | 0.249 | 0.861 |
| 4.600 | 0.602 | 0.168 | 3.590 | 0.000 | 0.272 | 0.931 |
| 4.800 | 0.648 | 0.181 | 3.591 | 0.000 | 0.293 | 1.004 |
| 5.000 | 0.695 | 0.194 | 3.579 | 0.000 | 0.313 | 1.077 |

**4o:** The conditional effect of **risk-taking propensity** on **relative performance** of the firm at different values of the moderator (economic environment)

| ECO | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 0.841 | 0.156 | 5.390 | 0.000 | 0.534 | 1.148 |
| 1.200 | 0.786 | 0.145 | 5.428 | 0.000 | 0.501 | 1.070 |
| 1.400 | 0.730 | 0.134 | 5.462 | 0.000 | 0.467 | 0.994 |
| 1.600 | 0.675 | 0.123 | 5.488 | 0.000 | 0.433 | 0.917 |
| 1.800 | 0.620 | 0.113 | 5.498 | 0.000 | 0.398 | 0.842 |
| 2.000 | 0.565 | 0.103 | 5.482 | 0.000 | 0.362 | 0.767 |
| 2.200 | 0.509 | 0.094 | 5.420 | 0.000 | 0.324 | 0.694 |
| 2.400 | 0.454 | 0.086 | 5.287 | 0.000 | 0.285 | 0.623 |
| 2.600 | 0.399 | 0.079 | 5.048 | 0.000 | 0.243 | 0.554 |
| 2.800 | 0.344 | 0.074 | 4.662 | 0.000 | 0.199 | 0.489 |
| 3.000 | 0.288 | 0.070 | 4.101 | 0.000 | 0.150 | 0.427 |
| 3.200 | 0.233 | 0.069 | 3.372 | 0.001 | 0.097 | 0.369 |
| 3.400 | 0.178 | 0.070 | 2.531 | 0.012 | 0.040 | 0.316 |
| **3.529** | **0.142** | **0.072** | **1.968** | **0.050** | **0.000** | **0.284** |
| 3.600 | 0.123 | 0.074 | 1.665 | 0.097 | -0.022 | 0.267 |
| 3.800 | 0.067 | 0.079 | 0.853 | 0.394 | -0.088 | 0.222 |
| 4.000 | 0.012 | 0.086 | 0.140 | 0.889 | -0.157 | 0.181 |
| 4.200 | -0.043 | 0.094 | -0.461 | 0.645 | -0.228 | 0.141 |
| 4.400 | -0.099 | 0.103 | -0.959 | 0.338 | -0.301 | 0.104 |
| 4.600 | -0.154 | 0.112 | -1.367 | 0.173 | -0.375 | 0.068 |
| 4.800 | -0.209 | 0.123 | -1.703 | 0.090 | -0.451 | 0.032 |
| **4.990** | **-0.261** | **0.133** | **-1.968** | **0.050** | **-0.523** | **0.000** |
| 5.000 | -0.264 | 0.133 | -1.981 | 0.049 | -0.527 | -0.002 |

**4p:** The conditional effect of **risk-taking propensity** on **satisfaction with the performance** of the firm at different values of the moderator (economic environment)

| ECO | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 0.419 | 0.130 | 3.211 | 0.001 | 0.162 | 0.675 |
| 1.200 | 0.375 | 0.121 | 3.096 | 0.002 | 0.136 | 0.613 |
| 1.400 | 0.330 | 0.112 | 2.956 | 0.003 | 0.110 | 0.550 |
| 1.600 | 0.286 | 0.103 | 2.783 | 0.006 | 0.084 | 0.489 |
| 1.800 | 0.242 | 0.094 | 2.567 | 0.011 | 0.056 | 0.427 |
| 2.000 | 0.198 | 0.086 | 2.297 | 0.022 | 0.028 | 0.367 |
| **2.193** | **0.155** | **0.079** | **1.968** | **0.050** | **0.000** | **0.310** |
| 2.200 | 0.154 | 0.079 | 1.955 | 0.052 | -0.001 | 0.308 |
| 2.400 | 0.109 | 0.072 | 1.524 | 0.129 | -0.032 | 0.251 |
| 2.600 | 0.065 | 0.066 | 0.987 | 0.324 | -0.065 | 0.195 |
| 2.800 | 0.021 | 0.062 | 0.341 | 0.734 | -0.100 | 0.142 |
| 3.000 | -0.023 | 0.059 | -0.395 | 0.693 | -0.139 | 0.092 |
| 3.200 | -0.067 | 0.058 | -1.166 | 0.244 | -0.181 | 0.046 |
| 3.400 | -0.112 | 0.059 | -1.900 | 0.058 | -0.227 | 0.004 |
| **3.420** | **-0.116** | **0.059** | **-1.968** | **0.050** | **-0.232** | **0.000** |
| 3.600 | -0.156 | 0.062 | -2.533 | 0.012 | -0.277 | -0.035 |
| 3.800 | -0.200 | 0.066 | -3.035 | 0.003 | -0.330 | -0.070 |
| 4.000 | -0.244 | 0.072 | -3.410 | 0.001 | -0.385 | -0.103 |
| 4.200 | -0.288 | 0.078 | -3.680 | 0.000 | -0.443 | -0.134 |
| 4.400 | -0.333 | 0.086 | -3.872 | 0.000 | -0.502 | -0.164 |
| 4.600 | -0.377 | 0.094 | -4.008 | 0.000 | -0.562 | -0.192 |
| 4.800 | -0.421 | 0.103 | -4.103 | 0.000 | -0.623 | -0.219 |
| 5.000 | -0.465 | 0.112 | -4.171 | 0.000 | -0.685 | -0.246 |

**Appendix 4q:** The conditional effect of **skills** on **satisfaction with the performance** of the firm at different values of the moderator (economic environment)

| ECO | Effect | se | t | p | LLCI | ULCI |
|---|---|---|---|---|---|---|
| 1.000 | 1.068 | 0.400 | 2.666 | 0.008 | 0.280 | 1.856 |
| 1.200 | 0.998 | 0.373 | 2.674 | 0.008 | 0.264 | 1.733 |
| 1.400 | 0.929 | 0.346 | 2.682 | 0.008 | 0.247 | 1.611 |
| 1.600 | 0.860 | 0.320 | 2.689 | 0.008 | 0.230 | 1.489 |
| 1.800 | 0.791 | 0.293 | 2.694 | 0.007 | 0.213 | 1.368 |
| 2.000 | 0.721 | 0.268 | 2.696 | 0.007 | 0.195 | 1.248 |
| 2.200 | 0.652 | 0.242 | 2.692 | 0.007 | 0.175 | 1.128 |
| 2.400 | 0.583 | 0.217 | 2.679 | 0.008 | 0.155 | 1.011 |
| 2.600 | 0.513 | 0.194 | 2.649 | 0.009 | 0.132 | 0.895 |
| 2.800 | 0.444 | 0.172 | 2.588 | 0.010 | 0.106 | 0.782 |
| 3.000 | 0.375 | 0.151 | 2.476 | 0.014 | 0.077 | 0.673 |
| 3.200 | 0.306 | 0.134 | 2.277 | 0.023 | 0.041 | 0.570 |
| **3.391** | **0.239** | **0.122** | **1.968** | **0.050** | **0.000** | **0.479** |
| 3.400 | 0.236 | 0.121 | 1.949 | 0.052 | -0.002 | 0.475 |
| 3.600 | 0.167 | 0.114 | 1.465 | 0.144 | -0.057 | 0.391 |
| 3.800 | 0.098 | 0.113 | 0.861 | 0.390 | -0.126 | 0.321 |
| 4.000 | 0.028 | 0.120 | 0.237 | 0.813 | -0.208 | 0.264 |
| 4.200 | -0.041 | 0.132 | -0.310 | 0.757 | -0.301 | 0.219 |
| 4.400 | -0.110 | 0.149 | -0.740 | 0.460 | -0.403 | 0.183 |
| 4.600 | -0.179 | 0.169 | -1.063 | 0.288 | -0.512 | 0.153 |
| 4.800 | -0.249 | 0.191 | -1.304 | 0.193 | -0.624 | 0.127 |
| 5.000 | -0.318 | 0.214 | -1.484 | 0.139 | -0.740 | 0.104 |

## Appendix 5: Survey Questionnaire

## Appendix 5a: Survey Questionnaire for Business Owners




Dear esteemed business owner, my name is Taofeek Owoseni, a PhD candidate at Wits University, Johannesburg, South Africa. I am conducting a study on the Influences of context, motivation and cognition of small business entrepreneurs on enterprise performance in South Africa. I invite you to participate in this survey. You have the right to withdraw your participation at any stage during the survey.

Your participation is voluntary and any information you provide will be held with utmost confidentiality and anonymity. I will not ask you to provide sensitive performance information. The data collected from all respondents will be analysed and only aggregate statistics will be reported. This means neither you nor your company will be identified in the research data file. The survey will require less than 30 minutes of your time. I do acknowledge your very busy schedule but your response to this survey will be valuable to obtain a more comprehensive understanding of entrepreneurship and to advance the development of small and medium enterprises in South Africa. I thank you most sincerely for your help and contribution.

Yours Sincerely,

---

**A. Background Information**

**Please respond to the following questions as appropriate (Tick or fill in the space as applicable)**

1. Gender: Male ☐ Female ☐

2. Please indicate your age group: a. Under 25 b. 25-35 c. 36-45 d. 46-55 e. 56-60 f. 61 and above
3. Your ethnic background: a. Black, South African b. White, South African c. Coloured, South African d. Indian/Asia, South African e. Non-South African

4. Please indicate your highest level of formal education? a. Primary b. Secondary c. Certificate/Diploma d. Bachelor's Degree e. Master's Degree and above
5. Has either of your parents ever owned a business? Yes ☐ N ☐
6. Please indicate the number of years of experience gained from parents' business prior to starting your own business (if applicable) …..... years
7. Do you have close friends or other family members that run their own business?
   Yes ☐ No ☐
8. How many business (es) have you started so far? …….
9. How many years of managerial experience did you have before starting your business? ..... years
10. Do you participate in the day to day decision making and running of the current business?
    Yes ☐ No ☐
11. How do you describe your role in this business? *(Please tick one option Only)*
    a. Founder b. Owner Manager c. Successor d. Others (Please specify) _____
12. How old is your business? …..... years
13. The number of full time equivalent employees in your firm including yourself …….

14. How would you classify your industry sector?
    a) Agriculture b) Mining and Quarrying c) Manufacturing d) Electricity, Gas & Water e) Construction f) Motor & Repairs Services g) Wholesale & Retail trade h) Catering & Accommodation i) Transport & Storage j) Finance & Business services k) Community, social & personal services, l) Others (please specify) _____

15. Did you start your business alone or were you part of a start-up team?
    Team ☐ Alone ☐

16. Please what would best describe the scope of your business operation **(Please select one option ONLY)**
    a) Within my province b) More than one Province c) National /Country wide
    d) other African countries (outside South Africa) e. International (outside Africa)

**B. ENTERPRISE PERFORMANCE**

**B1: FINANCIAL PERFORMANCE:** Please indicate **(tick one option in each row)** the extent of growth or decline of your business performance over the past three years, **(Please select one option only in each row) 1- Substantial Decrease; 2- Marginal Decrease; 3- No Change; 4- Marginal Increase; 5- Substantial Increase;**

| FPF | FINANCIAL PERFORMANCE | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | Sales growth | | | | | |
| 2 | Cash flow | | | | | |
| 3 | Market share | | | | | |
| 4 | Net profit | | | | | |
| 5 | Total Sales | | | | | |

**B2. RELATIVE PERFORMANCE**: Please compare your firm's performance in the past three years to competitors in the same industry, and stage of development, in the following areas: **(Please tick one option only in each row) 1-Substantial Decrease; 2- Marginal Decrease; 3-No Change; 4- Marginal Increase; 5- Substantial Increase**

| RPF | RELATIVE PERFORMANCE | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | Sales growth | | | | | |
| 2 | Cash flow | | | | | |
| 3 | Market Share | | | | | |
| 4 | Net profit | | | | | |
| 5 | Total Sales | | | | | |

**B3. SATISFACTION WITH PERFORMANCE:** Please indicate **(tick one option in each row)** the **extent to which you are satisfied with** running this business.
**1- Very dissatisfied; 2- Dissatisfied; 3- Unsure; 4- Satisfied; 5- Very satisfied**

| SPF | SATISFACTION | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | Satisfaction with what I do in the business | | | | | |
| 2 | Satisfaction with the general performance in the business | | | | | |
| 3 | Satisfaction with customers, staff and stakeholders. | | | | | |
| 4 | Overall satisfaction with this business compared with what I | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | expected when the business started. | | | | | |

**C. MOTIVATION**: Please indicate **(tick one option in each row)** the extent to which you agree or disagree with each of the following statements:

**1- Strongly disagree; 2- Disagree; 3-Neither agree nor disagree; 4- Agree; 5- Strongly agree.**

| MOT | MOTIVATION | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | I will not be satisfied unless I have reached the desired level of results. | | | | | |
| 2 | Even though people tell me 'it cannot be done', I will persist. | | | | | |
| 3 | I look upon my work as simply a way to achieve my goals. | | | | | |
| 4 | When I make plans, I am almost certain to make them work | | | | | |
| 5 | When I get what I want, it is usually because I worked hard for it | | | | | |
| 6 | I can do anything I set my mind on doing | | | | | |
| 7 | I am not willing to take risks when choosing a venture to start or a supplier to work with. | | | | | |
| 8 | I prefer a low/high security venture with a steady profit over a venture that offers high risks and high profit. | | | | | |
| 9 | I prefer to remain on a venture that has problems that I know about rather than take risks of starting a new venture that has unknown problems even if the new venture offers greater profit. | | | | | |
| 10 | I view risk on a job as a situation to be avoided at all costs. | | | | | |
| 11 | I will be able to achieve most of the goals that I set for myself. | | | | | |
| 12 | When facing difficult tasks, I am certain that I will accomplish them. | | | | | |
| 13 | In general, I think that I can obtain outcomes that are important to me. | | | | | |
| 14 | I believe I can succeed at most any endeavour to which I set my mind. | | | | | |
| 15 | I will be able to successfully overcome many challenges. | | | | | |

**1- COGNITION**: Please indicate **(tick one option in each row)** the extent to which you agree or disagree with each of these statements:

**1- Strongly disagree; 2- Disagree; 3- Neither agree nor disagree; 4- Agree; 5- Strongly agree.**

| COG | COGNITION | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | I have adequate knowledge of why we are in business. | | | | | |
| 2 | I have adequate knowledge of what it takes to run the business. | | | | | |
| 3 | I understand the process of information gathering and utilization. | | | | | |
| 4 | I have knowledge of support network that can provide assistance/help when it matters. | | | | | |
| 5 | My previous education and training are useful in running the business. | | | | | |
| 6 | I am good at getting money and people required for the business. | | | | | |
| 7 | I have strength in organizing and motivating people. | | | | | |
| 8 | I can supervise, influence and lead others effectively | | | | | |
| 9 | I allocate resources to achieve performance targets. | | | | | |
| 10 | I connect easily with people whenever I need to. | | | | | |
| 11 | My past experience determines the way I handle things in my business. | | | | | |
| 12 | Often, I see ways in which a new combination of people, materials, or products can be of value to the business. | | | | | |
| 13 | I have ability to initiate and develop products and services that are | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | technically superior. | | | | | |
| 14 | I recognize the needs of a changing environment easily. | | | | | |
| 15 | I have high level financial management skills that give competitive advantage | | | | | |
| 16 | I have high internal drive to see this venture to fruition. | | | | | |

2- **CONTEXT**: Please indicate **(tick one option in each row)** the extent to which each of these statements is true concerning business conditions in South Africa, and **tick NA**, if you feel is **not Applicable. 1- Strongly disagree; 2- Disagree; 3- Neither agree nor disagree; 4- Agree; 5- Strongly agree.**

| CONT | CONTEXT | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1 | The creation of new ventures is considered an appropriate way to become rich. | | | | | |
| 2 | Most people consider becoming an entrepreneur as a desirable career choice. | | | | | |
| 3 | Successful entrepreneurs have a high level of status and respect. | | | | | |
| 4 | You will often see stories in the public media about successful entrepreneurs. | | | | | |
| 5 | Most people think of entrepreneurs as competent, resourceful individuals. | | | | | |
| 6 | Individuals who run their businesses enjoy support from the community, family and neighbours. | | | | | |
| 7 | The economy is quite supportive of wealth creation for small and growing firms. | | | | | |
| 8 | Choosing the direction for the economy is quite predictable. | | | | | |
| 9 | Obtaining finances is very easy and the process is simple. | | | | | |
| 10 | Taxes, tax laws (including incentives) are applied to new and growing firms in a predictable and consistent way. | | | | | |
| 11 | Compliance requirements for registration and licensing are **not** too difficult for new and growing firms. | | | | | |
| 12 | The political situation is quite predictable with some level of certainty. | | | | | |
| 13 | Individual and Property rights are well secured and protected. | | | | | |
| 14 | There is adequate & efficient system of commercial law that supports personal discretion to enter into business contract. | | | | | |

**I thank you for your contribution, time and co-operation!**

**692399@students.wits.ac.za**
**Tel: +27 62 938 7826**

**Appendix 5b: Introduction to Online Questionnaire Survey Link**

Dear esteemed business owner,

I am a PhD candidate at Wits Business School, (University of the Witwatersrand, Johannesburg), conducting a study on the Influences of context, motivation and cognition of small business entrepreneurs on enterprise performance in South Africa. I invite you to participate in this online survey research to fulfil the requirements for the award of the degree.

Your participation is voluntary and any information you provide will be held with utmost confidentiality and anonymity. I quite understand your busy schedule; the survey will only require few minutes of your time. It is easily accessible through any electronic device including mobile phones.

I solicit for your support as the outcome is aimed at advancing the development of Small and Medium Enterprises in South Africa. The link to the survey is presented here:

**http://tinyurl.com/survey-business-owners**

I thank you for your help and support.

With best regards

**Taofeek Owoseni**

**Wits Business School (WBS)**

**Appendix 5c: Consent to Participate in Phd Research**

**Influences of Context, Motivation, And Cognition of Small Business Entrepreneurs on Enterprise Performance**

*Please read the following, and sign in the space provided below if you agree to participate in the questionnaire. Should you have any questions relating to the consent, please contact the researcher, Taofeek Owoseni, on 0629387826 or by e-mail: 692399@students.wits.ac.za*

I agree to participate in this research project being conducted by Mr Taofeek OWOSENI from the University of the Witwatersrand, Johannesburg. I understand that this study is for academic purposes only based on the contents of the participant information on the questionnaire**.**

I have been encouraged to ask questions and had all my concerns explained to my satisfaction. By signing this form:

- I consent voluntarily to participate in this study.
- I understand that this consent will be treated separately from the questionnaire I complete to ensure my anonymity and confidentiality.
- I understand that the researcher will not identify me by name in any reports using information obtained from this questionnaire.
- I know that I can withdraw and discontinue participation at any time.

| | |
|---|---|
| **Signature of participant** | **Date** |
| **Signature of the person obtaining consent** | **Date** |

## Appendix 6: Interview Survey

## Appendix 6a: Informed Consent Information Sheet for Interviews

My name is Taofeek A. Owoseni, a PhD candidate at The University of the Witwatersrand, Johannesburg. I'm conducting a research study with the aim of obtaining a PhD degree. The focus of my study is to understand the influence of context, entrepreneurial motivation and cognition of small business owners on enterprise performance in South Africa. I invite you to participate in my study as an experienced Business owner that can make informed contributions to this research that is aimed at advancing the course of small and medium scale business development. Your participation is voluntary. You are free not to answer any question you do not feel comfortable with and have the right to withdraw your participation at any stage during the research process. The interviews will be audio recorded, and notes may be taken for the purpose of analysis.

All information you may wish to provide will be treated with utmost confidentiality and anonymity. No personal information will be required, no financial data will be required except in a subjective and descriptive manner. The research has been approved by my University's Human Research Ethics Committee (non-medical) for the studies involving human subjects. You are therefore assured that all information and subsequent uses will be subject to standard data use policies which protect the anonymity of individuals and institutions. While I appreciate your contribution and support, I do not promise any form of compensation for your participation.

## Appendix 6b: Interview Guide

### Influences of Context, Motivation, and Cognition of Small Business Entrepreneurs on Enterprise Performance

1. Good day! Please tell me about yourself?
   Prompts:
   - Family (whether they are business owners), education, upbringing, race, gender, hobbies and so on.
2. Have you worked for someone before or previously engaged in family business?
   Prompts:
   - If yes, which sector?
   - Years of experience
   - Reason for leaving
3. What do you currently do in terms of employment?
   Prompts:
   - Explore participant's current business: business sector
   - Number of employees
   - How old is the current business?
   - Any branch or other businesses within and/or outside of South Africa
4. Can you please take me through your business journey?

- Prompts:
- Why did he/she venture into the current business?
- What did he/she set to achieve?
- How many businesses so far established?
- Any regret thus far?

5. What motivates you as an entrepreneur?
6. How have you been able to achieve your business goals?
7. What influence the following performance indicators?
   - Prompts:
   - Financial performance: i Sales Growth ii. Cash flow, iii. Market Share, iv. Net Profit, v. Total sales.
   - How do you compare with your competitors?
   - How do you feel doing this business?
8. What knowledge do you have that have been of benefit to this business?
   - Prompts:
   - Formal or informal education
9. In what ways has the knowledge been relevant in running your business?
   - Prompts:
   - Risk management
   - Staff and resources management
10. From your experience, what skills do small business owners need to have?
11. What are the essential skills from those you mentioned that have assisted you in your business?
12. What capability (ability) do business owner need to possess?
13. How has your capability as a business owner influenced your business performance?
14. How is the South African environment impacting on your business?
    - Prompts:
    - Economy - Rand (money) value, competition
    - Political- Regulations
    - Social-Cultural- Support from family & friends
    - Immediate environments- Security
15. What has been helping you to stay this far in business?
16. What are the challenges you are facing in this business?
17. How do you intend to deal with those challenges you mentioned?
18. Can you suggest ways of improving small business environment in South Africa with a view to improve their performance?
19. Is there any other information you would like to share with me concerning your business?

**THANK YOU VERY MUCH FOR ALL THAT YOU HAVE SHARED WITH ME. IT WAS A PLEASURE TALKING TO YOU.**

**Appendix 6c: Consent to Participate in Phd Research (Interview)**

**Influences of Context, Motivation, And Cognition of Small Business Entrepreneurs on Enterprise Performance**

*Please read the following, and sign in the space provided below if you agree to participate in the interview. Should you have any questions relating to the consent, please contact the researcher, Taofeek Owoseni, on 0629387826 or by e-mail: 692399@students.wits.ac.za*

I agree to participate in this research project being conducted by Mr. Taofeek OWOSENI from the University of the Witwatersrand, Johannesburg. I understand that this study is for academic purposes only based on a discussion prior to the interview**.**

My participation in this research is voluntary without any financial inducement. I understand that notes will be taken during the interview. An audio tape of the interview and subsequent dialogue will be made.

I understand that the researcher will not identify me by name in any reports using information obtained from this interview, and my confidentiality as a participant will remain secured.

Subsequent uses of records and data will be subject to standard data use policies which protect the anonymity of individuals and institutions. This precaution will prevent my comments from having any negative consequences. The data will not be passed to any archive or third party and the material will be destroyed after a reasonable period has passed, after the completion of the study.

I understand that this study has been reviewed and approved by the University of the Witwatersrand Human Research Ethics Committee (non-medical) for the studies involving human subjects.

I have been encouraged to ask questions and had all my concerns explained to my satisfaction. I understand that I can withdraw and discontinue participation at any time.

I have been given a copy of this consent form and I voluntarily agree to participate in this study.

| | |
|---|---|
| **Signature of participant** | **Date** |
| **Signature of the Researcher** | **Date** |

## Appendix 7: Ethics Clearance Certificates

Appendix 7a

Research Office

**HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)**
R14/49 Owoseni

| | |
|---|---|
| **CLEARANCE CERTIFICATE** | **PROTOCOL NUMBER H13/07/22** |
| **PROJECT TITLE** | Understanding the interactions of motivation cognition and context on enterprise performance: A focus on high-growth versus replicative entrepreneurs |
| **INVESTIGATOR(S)** | Mr TA Owoseni |
| **SCHOOL/DEPARTMENT** | CLM/Graduate School of Business Administration |
| **DATE CONSIDERED** | 19/07/2013 |
| **DECISION OF THE COMMITTEE** | Approved Unconditionally |
| **EXPIRY DATE** | 25/07/2015 |

**DATE** 26/07/2013 **CHAIRPERSON** _____ pp
(Professor T Milani)

cc: Supervisor : Prof B Urban

**DECLARATION OF INVESTIGATOR(S)**

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10003, 10th Floor, Senate House, University.

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee. **I agree to completion of a yearly progress report.**

_____ _____/_____/_____
**Signature** **Date**

**PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES**

Appendix 7b

Research Office

**HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)**
R14/49 Owoseni

| | |
|---|---|
| **CLEARANCE CERTIFICATE** | **PROTOCOL NUMBER: H13/07/22** |
| **PROJECT TITLE** | The influence of context, motivation and cognition of small business entrepreneurs on enterprise performance |
| **INVESTIGATOR(S)** | Mr TA Owoseni |
| **SCHOOL/DEPARTMENT** | Commerce, Law and Management/Wits Business School |
| **DATE CONSIDERED** | 19 July 2013 |
| **DECISION OF THE COMMITTEE** | Approved Unconditionally<br>12 month extension |
| **EXPIRY DATE** | 30 March 2016 |

**DATE** 31 March 2015 **CHAIRPERSON** _____ (Professor T Milani)

cc: Supervisor : Professor F Obeng

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**DECLARATION OF INVESTIGATOR(S)**

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10005, 10th Floor, Senate House, University.

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee. **I agree to completion of a yearly progress report.**

_____ **Signature**

_____/_____/_____ **Date**

**PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES**

Appendix 7c

Research Office

**HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)**
R14/49 Owoseni

| | |
|---|---|
| **CLEARANCE CERTIFICATE** | **PROTOCOL NUMBER: H16/04/16** |
| **PROJECT TITLE** | The influence of context, motivation and cognition of small business entrepreneurs on enterprise performance |
| **INVESTIGATOR(S)** | Mr T Owoseni |
| **SCHOOL/DEPARTMENT** | Wits Graduate School of Business Administration/ |
| **DATE CONSIDERED** | 22 April 2016 |
| **DECISION OF THE COMMITTEE** | Approved unconditionally |
| **EXPIRY DATE** | 09 May 2019 |
| **DATE** 10 May 2016 | **CHAIRPERSON** J-Wright (Professor J Knight) |

cc: Supervisor : Professor F Ahwireng-Obeng

**DECLARATION OF INVESTIGATOR(S)**

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10005, 10th Floor, Senate House, University.

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to resubmit the protocol to the Committee. **I agree to completion of a yearly progress report.**

Signature _____ Date ____/____/____

**PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES**

## Appendix 8: Definition of SMMEs in South Africa

| Threshold for the classification of micro, very small, small and medium enterprises | | | | |
|---|---|---|---|---|
| Sector or sub-sector in accordance with Standard Industrial Classification (SIC) | **Size or Class** | **To Table 4.2, total full-time equivalent of paid employees (Less than)** | **Total annual turnover (Rm) (Less than)** | **Total gross asset value (fixed property excluded) (Rm) (Less than)** |
| Agriculture | **Medium** | **100** | **5** | **5** |
| | **Small** | **50** | **3** | **3** |
| | **Very Small** | **10** | **0.5** | **0.5** |
| | **Micro** | **5** | **0.2** | **0.2** |
| Mining & Quarrying | **Medium** | **200** | **39** | **23** |
| | **Small** | **50** | **10** | **6** |
| | **Very Small** | **20** | **4** | **2** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Manufacturing | **Medium** | **200** | **51** | **19** |
| | **Small** | **50** | **13** | **5** |
| | **Very Small** | **20** | **52** | **2** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Electricity, Gas & Water | **Medium** | **200** | **51** | **19** |
| | **Small** | **50** | **13** | **5** |
| | **Very Small** | **20** | **5.1** | **1.9** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Construction | **Medium** | **200** | **26** | **5** |
| | **Small** | **50** | **6** | **1** |
| | **Very Small** | **20** | **3** | **0.5** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Retail and Motor and Repair services | **Medium** | **200** | **39** | **6** |
| | **Small** | **50** | **19** | **3** |
| | **Very Small** | **20** | **4** | **0.6** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Wholesale trade, Commercial agent and Allied Services | **Medium** | **200** | **64** | **10** |
| | **Small** | **50** | **32** | **5** |
| | **Very Small** | **20** | **6** | **0.6** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Catering, Accommodation and Other trade | **Medium** | **200** | **13** | **3** |
| | **Small** | **50** | **6** | **1** |
| | **Very Small** | **20** | **5.1** | **1.9** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Transport, Storage and Communication | **Medium** | **200** | **26** | **6** |
| | **Small** | **50** | **13** | **3** |

| | | | | |
|---|---|---|---|---|
| | **Very Small** | **20** | **3** | **0.6** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Finance and Business Services | **Medium** | **200** | **26** | **5** |
| | **Small** | **50** | **13** | **3** |
| | **Very Small** | **20** | **3** | **0.5** |
| | **Micro** | **5** | **0.2** | **0.1** |
| Community, Social and Personal Services | **Medium** | **200** | **13** | **6** |
| | **Small** | **50** | **6** | **3** |
| | **Very Small** | **20** | **1** | **0.6** |
| | **Micro** | **5** | **0.2** | **0.1** |
| **Source: Schedule 1 to the National Small Business (NSB) Act of 1996 as amended in 2003 and 2004** | | | | |