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The observed disposition by small, medium and micro enterprises on incubated business support in South Africa

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The observed disposition by Small, Medium and Micro Enterprises on incubated business support in South Africa

Brendan Clive Barnes

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, 2018

ABSTRACT

South Africa is a country facing many economic challenges. The three most urgent remain the alleviation of poverty, the creation of equal opportunities and the achievement of economic growth and prosperity. A vehicle which has been identified to address such challenges is Small, Medium and Micro Enterprise (SMME) development, specifically an initiative known as business incubation.

Incubated business support programs are considered highly influential in accelerating the creation of successful entrepreneurial ventures. However, some studies reveal entrepreneurs/SMMEs perceive little to no value in such programs suggesting that these initiatives are poorly marketed and ineffectively implemented. This research intended to provide an insightful view of incubated business support programs from the entrepreneur/SMME perspective. The research was carried out primarily in the Gauteng Province.

Data collection was in the form of a questionnaire distributed through a web based survey tool called Qualtrics. A total of 334 research questionnaires were sent out, 75 were returned and identified as useful. The accompanying email contained a link to the questionnaire and a covering letter explaining the purpose, objectives and nature of the survey. The letter also assured the respondents of their privacy and anonymity.

The respondents were perceived to have a high willingness to participate in incubated business support programs which suggested that they understood and appreciated the importance and effectiveness of these programs on nascent firms. However, the study revealed little on the association between the demographics of respondents and which services were offered by incubators.

The findings of the research will benefit different stakeholders that have an interest in understanding the South African SMME environment as well as business incubation. Understanding incubated business support programs, from the entrepreneurial perspective, provides important information for such programs to be better designed and increase the effectiveness of their implementation in South Africa.

DECLARATION

I, Brendan Clive Barnes, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration in the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

……..

Brendan Clive Barnes

Signed at…….

On the……..day of ……..2018

DEDICATION

This work is dedicated to my loving family.

Nicole, for your unselfish and unwavering support when I needed it most. My daughter, Isabel, may you chase your dreams and make the most of what this world has to offer. My parents, Greg and Theresa, thank you for all the years of support, mentorship and inspiration.

Thank you for your belief in me, without you this would have not been possible.

ACKNOWLEDGEMENTS

I would like to express my gratitude to Laurence Beder, my supervisor, for his guidance and constant encouragement throughout this process.

And Sandesh Ganasee, for your guidance and friendship throughout this journey.

“for he who stands with me shall be my brother”.

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LIST OF ABBREVIATIONS

Business Incubation (BI)

Small Medium and Micro Enterprise (SMME)

Gauteng Enterprise Propeller (GEP)

Department of Trade and Industry (DTI)

Global Entrepreneurial Monitor (GEM)

Total Entrepreneurial Activity (TEA)

Small Enterprise Development Agency (seda)

Small Enterprise Finance Agency (SEFA)

National Empowerment Fund (NEF)

Industrial Development Corporation (IDC)

National Youth Development Agency (NYDA)

Non-Financial Business Support (NFBS)

CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to assess the perceived disposition of SMMEs on incubated business support programs in South Africa.

1.2 Context of the study

Entrepreneurs come in many shapes and sizes and go by many names; risk-taker, innovator, and leader. Their importance to economic change and growth goes unchallenged. Entrepreneurs are a driving force within an economy and agents of change. Whether in developed or developing economies, studies have shown that economists, in all societies today, approve entrepreneurship and SMME development as necessary elements for stimulating economic growth and employment opportunities (Ageze, 2006).

According to the Global Entrepreneurship Monitor (GEM) 2015/16 global report, SMME and entrepreneurial contribution to the South African GDP was at 45% as of 2014 (Kelley, Singer, & Herrington, 2016). This is a significant amount and reveals just how reliant the South Africa economy is on the development of entrepreneurs and SMMEs. In low-income and developing countries, such as South Africa, entrepreneurs have been singled out for consideration as a scarce resource. It is also implied that economic development would proceed at a much more rapid rate if the supply of such persons were increased (Herrick & Kindleberger, 1983).

The Department of Trade and Industry (DTI) similarly states that SMMEs represent an important vessel to address the social and economic challenges facing South Africa. The prime objective of the national policy framework is to create an empowering environment for small enterprises (*The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*, 1995).

As specified by the DTI, challenges facing SMMEs such as their ubiquity in all sectors, their diverse issues, and large numbers, all call for provincial and local authorities, the national government, and national parastatals to apply support efforts. These would

include an extensive range of tools, instruments and/or interventions (*Unlocking the potential of South African Entrepreneurs*, 2005).

In order to alleviate poverty, create employment opportunities and encourage economic growth, the South African government has identified supporting SMMEs as a critical vehicle for addressing this triple threat (Masutha & Rogerson, 2014b).

According to the National Development Plan Vision 2030, 90 % of the 11 million jobs intended for creation are to come from SMMEs and that for successful local economic growth SMME development is to be the cornerstone (Masutha & Rogerson, 2014c).

This being said, entrepreneurship and SMME development have not yet been acknowledged for their overall impact on the South African economy (*State of Entrepreneurship in South Africa: The Entrepreneurial Dialogues*, 2016). The latter is reflected in the GEM 2016 report, where South Africa is ranked 38th out of 60 according to its Total Entrepreneurial Activity (TEA) score, being outranked by other emerging African economies such as Botswana, Cameroon and even Burkina Faso (Kelley et al., 2016).

Furthermore, according to Timm (2015), the percentage of adult South Africans involved in starting a business fell by 34% in 2015. Global reports for 2014 reveal that the percentage of adults involved in a business less than three-and-a-half years old fell to 6.97% from a 13-year high of 10.6% in 2013. As these numbers indicate, there is a clear disconnect.

The importance of entrepreneurship and SMME development to the South African economy goes unchallenged and is thoroughly supported by various stakeholders and governmental authorities. The numbers expressed, however, are not conducive of an empowering environment for small enterprises.

Identified Gordian knots in SMME development are inadequate formal entrepreneurship exposure, education, and an entrepreneurial atmosphere. The inadequate entrepreneurship education and training in South Africa is not only limiting the prevalence of entrepreneurship in the country but also contributing to a lack of entrepreneurial culture (*Accelerating the Growth of SMEs in South Africa*, 2015).

Panellists who participated in the *Entrepreneurship in Africa Summit* determined that, although finance has usually been identified as the leading cause of SMME success or failure, there are greater non-financial determinants of success (*Accelerating Entrepreneurship in Africa*, 2012). Such determinants cover vast ranges and include infrastructure, access to markets, market adaptability, and entrepreneurial tenacity. If such determinants were in place and encouraged, certainly capital would follow suit (*Accelerating Entrepreneurship in Africa*, 2012).

Similarly, Gustavo-Nahum (2013) states that to ensure the holistic survival of SMMEs it is imperative that non-financial services adequately compliment financial resources, thus ensuring that the venture success rates are likely to be enhanced.
One such vehicle adopted to enhance the success rates of SMMEs in South Africa is business incubation. To fast-track the growth of emerging and small start-up businesses into financially and operationally independent enterprises, business incubators offer targeted business support and technical support services (Masutha & Rogerson, 2014c).

Targeted business support, also known as non-financial business support (NFBS), refers to any services that are not micro-financed (Gustavo-Nahum, 2013). Such services are designed to aid SMMEs to increase profitability by improving their productivity and access to markets (Rogerson, 2006). It is internationally acknowledged that non-financial business support is essential for SMME growth and development (Rogerson, 2006).

In response to various developmental issues, governments, both in the developed and developing world, have recognised and supported business incubation. A vital step for improving local economies and increasing development, in both urban and rural areas in South Africa, is the establishment and support of a network of business incubators (Masutha & Rogerson, 2014a).

However essential business incubators and like programs are, the current low survival rate of SMMEs in South Africa suggests that such service programs are poorly marketed and ineffectively implemented (Herrington, Kew, & Kew, 2009). Similarly, a knowledge gap exists regarding business incubation in South Africa, particularly about the different kinds of incubators and their operations (Masutha & Rogerson, 2014a).

The aim of this study is to explore perceived reasons why business incubation programs are being poorly marketed and ineffectively implemented. If the country is to achieve economic prosperity through SMME growth and development, the entrepreneur's exposure and education gap needs to be assessed. In other words, the association between business incubation and SMME development needs to be explored.

1.3 Problem statement

Business incubators nurture nascent ventures, they do this by providing such firms with focused counselling and facilitation services often coupled with smart workspaces and shared office facilities (Lalkaka, 2002). Business incubators are considered instrumental in accelerating the creation of successful entrepreneurial ventures (Bruneel, Ratinho, Clarysse, & Groen, 2012).

However, not all incubators are the same and not all incubators are successful (Buys & Mbewena, 2007). Research findings suggest that similar business incubators are of unequal quality and the incubator and incubatee objectives are often not aligned (Scillitoe & Chakrabarti, 2010). The disconnect between the incubators and incubatees may be evident due to incubators having to be designed based on the needs and objectives of the local community (Merrifield, 1987) and nascent firms seeing little or no value in incubated business programs (Rogerson, 2008).

In addition to the above, the crux of why well-intentioned business support programs, such as business incubators, are deemed to be unsuccessful is the incapacity of their support institutions to persuasively raise awareness of the existence and effectiveness of such programs (Rogerson, 2004).

This research seeks to measure the perceived disposition of entrepreneurs/SMMEs towards incubated business support programs and investigate potential factors that may influence their willingness to attend services offered by such programs.

1.3.1 *Main problem*

The purpose of this research is to assess the perceived disposition of SMMEs on incubated business support programs in South Africa.

1.4 Research objective

The objective of this study is to investigate why programs such as incubated business support are being poorly marketed and struggling with implementation. The aim of this study is to understand the view of such programs from an entrepreneurial/SMME perspective and so understand their perception of the importance of such programs.

1.4.1 *Research Question 1: Perceived disposition*

What are the dispositions of entrepreneurs/SMMEs on the services offered by incubated business support programs?

1.4.2 *Research Question 2: Demographic association*

Are there associations between the demographics of the entrepreneurs/SMMEs and their dispositions of the services offered by incubated business support programs?

1.5 Significance of the study

Business incubators are organisations that provide nascent and start-up firms with a protected environment (Buys & Mbewena, 2007) and offer systematic methods of providing business support services in the early stages of venture development (Bollingtoft, 2012). The main goals of incubated business support programs are diversifying local economies, accelerating growth in local industries, creating jobs in a community, enhancing a local community's entrepreneurial climate, and retaining business in communities (Al-Mubaraki & Busler, 2010).

However, incubation research has shown that initial incubator objectives and incubatee/community objectives are often not aligned and incubation venture success has revealed contradictory findings (Scillitoe & Chakrabarti, 2010). Not all incubation ventures are successful so it is important to investigate the factors which influence the success and failure of business incubation (Buys & Mbewena, 2007).

Business incubators play a key role in the economic development of a community (Al-Mubaraki & Busler, 2010) and incubators, in collaboration with the communities in which they operate, are providers of business support programs (Rice, 2002). Given the above, Merrifield (1987) states that business incubators can be replicated in almost

any community although they need to be designed and based on the needs and objectives of the community in which they operate. However, one of the leading factors to unsuccessful business incubation is the quality of the entrepreneur/SMME being incubated (Buys & Mbewena, 2007).

Contradictory evidence suggests that business incubation has little or no effect on the success of nascent firms. This, coupled with the difficulty in securing data and literature, has resulted in no clear understanding regarding successful business incubation. Further research is needed to understand how to enable the successful incubation of nascent firms (Scillitoe & Chakrabarti, 2010).

This study will be of value to entrepreneurs/SMMEs, community stakeholders and business incubator sponsors, giving them an understanding of incubated business support programs from an entrepreneurial perspective. It aims to fill a gap, in that there is an insufficient amount of substantial research addressing the perception of business incubation initiatives by the entrepreneurs and SMMEs in the communities in which they operate. This study can potentially reveal important cues on how initiatives such as business incubation should be designed to achieve the desired impact for all stakeholder groups.

1.6 Delimitations of the study

The research is limited to the perspective of entrepreneurs; it is believed that the feasibility of the research is primarily dependant on the entrepreneur's perspective.

The demographic profiles of the sample population form part of this research and, therefore, will be tested.

Data collection will be in the form of on-line surveys. As with any data collection there are inherent disadvantages and potential risks. Disadvantages for on-line surveys are as follows:

- *Limited sampling*, whereby parts of the targeted population will have limited access to the internet thereby decreasing the likelihood of a response.
- *No interviewer,* this is where there is no trained interviewer to help guide the response thus potentially making data less reliable.

A significant limitation to this study is that the language medium is English. It is fully understood by the researcher that English may not be the primary language of the respondents. Due to this language limitation some questions may be interpreted differently by respondents decreasing the reliability of data.

1.7 Definition of terms

- Business incubation – organisations that provide nascent firms and entrepreneurial groups with affordable work spaces as well as shared facilities, information, training, counselling, and access to external networks (Lalkaka, 2002).
- Global Entrepreneurial Monitor – a world leading consortium dedicated to understanding the relationship between entrepreneurship and national economic development (Bosma & Levie, 2009).
- Targeted business support – non-financial services which improve the performance of an enterprise, its access to markets, and its ability to compete (Gustavo-Nahum, 2013).

1.8 Assumptions

- Respondents would accurately reflect on their attitudes and perspectives about incubated business support and the services they offer.
- The required sample size would be reached.
- Targeted business support is by no means the only contributor to venture success; however, it is the focal point of this research.
- Geographic location does play a vital role within entrepreneurial success and governmental programs availability; this will be considered; however, not explored.
- It is assumed that English is the universal and most suitable language to communicate with respondents.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This chapter explores the literature on the development and perspectives of SMMEs in South Africa. This is a means of providing the context within which business support services, such as business incubation, are required and/or utilised. This chapter also provides the definition of SMMEs in the context of South Africa, the unique challenges faced by SMMEs and the support services available to them.

2.2 SMMEs

SMMEs and their important role in economic development are receiving increased recognition in present literature. They are often described as the fuel of national economic engines and the seeds of big business (Quartey & Abor, 2010). However, what constitutes SMMEs is of major concern in literature, with many different authors providing many different definitions of these types of businesses (Quartey & Abor, 2010).

Revenues, assets, (excluding fixed property) and number of employees are all common considerations when defining SMMEs (Rwigema & Karungu, 1999). According to Quartey and Abor (2010), SMMEs have not been spared from the problem of definition, some definitions attempt to use skill of labour and capital assets while others use turnover level, methods of production and even legal status.

In terms of the South African National Small Business Act (Act 102 of 1996), small businesses are distinctive and separate business entities whose size and distinction can be identified according to specific onsets as set out in Table 1 (Rwigema & Karungu, 1999).

Table 1 : SMME definition

Sector or subsector	Size/class	Employees (less than)	Annual turnover limit (Rm)	Gross assets (Rm)
Agriculture	Medium	100	4	4
	Small	50	2	2
	Very small	10	0,4	0,4
	Micro	5	0,15	0,1
Mining and quarrying	Medium	100	30	18
	Small	50	7,5	4,5
	Very small	10	3	1,8
	Micro	5	0,15	0,1
Manufacturing	Medium	100	40	15
	Small	50	10	3,75
	Very small	10	4	1,5
	Micro	5	0,15	0,1
Electricity, gas, and water	Medium	100	40	15
	Small	50	10	3,75
	Very small	10	4	1,5
	Micro	5	0,15	0,1
Construction	Medium	100	20	4
	Small	50	5	1
	Very small	10	2	0,4
	Micro	5	0,15	0,1
Retail and motor industry	Medium	100	30	5
	Small	50	15	2,5
	Very small	10	3	0,5
	Micro	5	0,15	0,1
Wholesale and commercial agents, etc.	Medium	100	50	8
	Small	50	25	4
	Very small	10	5	0,5
	Micro	5	0,15	0,1

Catering, accommodation, and other trade	Medium	100	10	2
	Small	50	5	1
	Very small	10	1	0,2
	Micro	5	0,15	0,1
Transport, storage, and communication	Medium	100	20	5
	Small	50	10	2,5
	Very small	10	2	0,5
	Micro	5	0,15	0,1
Finance and business services	Medium	100	20	4
	Small	50	10	2
	Very small	10	2	0,4
	Micro	5	0,15	0,1

As explained by Rwigema and Karungu (1999), there are both rural and urban SMMEs. Rural SMMEs are common forms of subsistence especially in informal settlements and township economies; these groups are largely composed of subsistence farmers, tradesmen, individual artisans, and family groups. Whereas, urban SMMEs are comprised of two main groups, organised and unorganised. Organised enterprises have more structured processes, salaried employees, and fixed premises. Unorganised enterprises are largely made up of artisans with no fixed premises and who rely heavily on family members as they have few or no salaried employees (Rwigema & Karungu, 1999).

Luiz (2000) explains that the National Small Business Act of 1996 groups SMMEs into five categories; survivalist enterprises, micro enterprises, very small enterprises, small enterprises, and medium enterprises.

The definition of each category is set forth by Quartey and Abor (2010) and is as follows:

- Survivalist enterprise: This is a pre-entrepreneurial category which includes subsistence farmers, vendors, and hawkers. The income generated by this category is below the poverty line or less than the minimum income standard.
- Micro enterprise: This category would include household industries, minibus taxis, and *spaza* shops. This category employs no more than five people, usually lacks formal registration, and has turnover less than the Value Added Tax (VAT) registration limit.
- Very small enterprise: This category would operate in the formal market, with access to technology, and employ fewer than ten employees (depending on industry and sector).
- Small enterprise: Employing no more than 50 staff members, with more complex business practices and generally more established than very small enterprises.
- Medium enterprise: Often defined by an additional management layer and a decentralisation of power, this category employs between 100 and 200 employees (depending on industry and sector).

The debate around SMMEs and their definitions is universal and South African SMMEs have not been spared from definition problems. How we choose to define them is dependent on varying factors, perceptions and discussions. What is universally agreed is the international recognition of the contribution the SMME sector makes to the promotion of economic growth and development, and the alleviation of poverty through the creation of wealth and employment opportunities in both the developed and developing worlds.

2.3 SMMEs in South Africa

According to Quartey and Abor (2010), the performance of SMMEs is generally understood to be an important element for both social and economic development in developing countries. Attempts from low-income countries, such as South Africa, to accelerate growth, have caused policy holders to recognise SMMEs as engines through which economic growth objectives of developing countries can be achieved.

The high expectations of a new democratic order and the reintegration into the global economy have faced South Africa since 1994. With economic growth, through

competitiveness on one hand, and the employment generation and income distribution on the other, policy makers have turned to the promotion of the country's SMME economy (Rogerson, 2004).

In order to discourage black business ownership, past South African governments pushed in favour of 'big business'. However, it has become increasingly evident that the newly appointed democratic government recognised the economic potential of SMME development, not only to boost economic growth but to also empower the marginalised. Furthermore, this would redress past injustices through access to business opportunities for the historically disadvantaged (Rwigema & Karungu, 1999).

The former Minister of Trade and Industry, Trevor Manuel, clearly identified the importance of SMME development in South Africa as early as 1995, stating (Herrington et al., 2009):

> *"With millions of South Africans unemployed and underemployed, the government has no option but to give its full attention to the task of job creation, and generating sustainable and equitable growth."*
>
> *"Small, medium and micro enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country."*
>
> *"We believe that the real engine of sustainable and equitable growth in this country is the private sector. We are committed to doing all we can to help create an environment in which business can get on with their job."*

In spite of the growing recognition of the impact SMMEs have on the South African economy, unemployment and job creation, and the distribution of wealth, (Herrington & Kew, 2016) report that growth in the South African economy has been meek in recent years. This has largely been attributed to the country's continued poverty and inequality due to South Africa's weak job creating capacity.

Regardless of advancements in its economic infrastructure, South Africa persistently experiences severe inequalities in income distribution, where youth have limited access to employment and 50% of the population live below the poverty line (*Accelerating Entrepreneurship in Africa*, 2012).

The GEM survey which was conducted in 2015, revealed that South Africa has persistently low levels of entrepreneurial activity relative to other developing countries (Herrington & Kew, 2016). In 2009 South Africa ranked 35th out of 54 countries in terms of its TEA score which was below the average rate of 11.7% (Herrington et al., 2009).

Herrington et al. (2009), state that South Africa's performance, as noted in GEM reports and relative to its position, has been consistently below average with this trend likely to continue. Although there has been an increased number of South Africans who agree that there are opportunities to start businesses in their area, as well as those who possess the necessary confidence in their abilities and experience, this has not translated into higher levels of entrepreneurial intention (Herrington & Kew, 2016).

According to Herrington and Kew (2016), when compared to 2013, there has been a 30% drop in entrepreneurial intentions in South Africa. When being compared to the African region as a whole, South Africa's entrepreneurial intentions are significantly lower, with South Africa being 3.6 times lower than the regional average.

Even with South Africa being considered a dual economy, with a formal and informal economy, at this stage of South Africa's economic development the country should expect a TEA score of around 13% when in actual fact, South Africa's TEA score is 5.9% (Herrington et al., 2009).

Put forward by (Herrington et al., 2009), severe environmental limitations, such as poverty, lack of active markets, poor access to resources, and a poor skills base, has stalled entrepreneurial activity in South Africa. These reasons could also be why it is that many young South Africans do not consider entrepreneurship as a viable and lucrative career choice.

2.4 SMME Development

There has been a remarkable shift in accentuating the role of SMME development within the overall economic development strategies in South Africa. In the past SMMEs were justified only on the basis of social reasons, as they were the employer of the unskilled and provider of income-earning opportunities for the informal sector. Their mainstream economic activity was considered marginal and, therefore, unimportant. Today it is internationally accepted that in the promotion of economic growth and development, the SMME sector plays a vital role and these small-scale enterprises have a valid claim to greater importance in the mainstream economy (Luiz, 2000).

As a countervailing force against the economic power of 'big business', SMME development encourages the process of both inter- and intra-regional decentralisations. SMME development is viewed as a mechanism with which wider economic and socio-economic objectives can be achieved (Quartey & Abor, 2010).

According to Rwigema and Karungu (1999), assistance for SMMEs happens for various reasons. They rationalise that these reasons include:

- The ability to absorb labour, although likely unskilled, is high in SMMEs.
- SMMEs can strengthen social systems and cultural traditions as they are usually locally owned and controlled.
- The historically disenfranchised were discouraged from owning businesses, therefore, their first attempts are likely to be in the SMME sector.
- SMMEs provide an environment where entrepreneurship and innovation can be encouraged.
- SMME products are likely to satisfy the needs of the poor as they probably originate from local technologies and indigenous craft methods instead of products from large enterprises with foreign technology.
- SMMEs are likely to find local markets and are widespread throughout South Africa ensuring more equitable distribution of employment opportunities.
- Employment for women and expanding their entrepreneurial talents are provided for in the SMME sector.
- SMMEs are likely to use less capital and less management, although this could be argued.

- Studies confirm that, at all stages of development, SMMEs generally employ more labour per unit of capital and require less per unit of output than their 'big business' counterparts.
- SMMEs are more likely to be adaptable to economic change, be more resilient to depression, and to offer sturdier employment than larger ones.

Although SMMEs are internationally accepted for their contribution to economic development and their ability to create wealth and employment, they are not spared from constraints. SMME constraints can stem from various sources, requiring government and other assistance, if their full potential is to be realised (Rwigema & Karungu, 1999).

2.5 Challenges facing SMME development

As identified by Herrington et al. (2009), the main inhibitors of SMME development and entrepreneurial activity in South Africa are education, cultural and social norms, financial and business support, regulatory environments and government policies, and support for small enterprises.

Similarly Rwigema and Karungu (1999) state that constraints against SMMEs stem from various sources, these sources may be poor education, type of business, inadequate experience, a lack of entrepreneurial skills, or limited capital.

Despite their recognition, SMMEs still face a number of bottlenecks which inhibit their ability to realise their full potential. These inhibitors of SMME development range from a number of factors including lack of managerial skills, access to finance, equipment and technology, regulatory constraints, and access to markets (Quartey & Abor, 2010).

In previous years SMME success has been closely correlated with the securing of financial resources. In order to ensure a holistic approach to the success of SMMEs, the importance of targeted business support needs to be realised. By improving SMMEs access to business support programs, the likelihood of SMME success rates increasing would be enhanced and, therefore, imperative (Gustavo-Nahum, 2013).

As can be seen from the literature, the inhibitors facing SMMEs range between financial and non-financial factors. According to the GEM report on South Africa 2015/16, the weakest entrepreneurial conditions in the country are grouped around non-financial factors such as cultural and social norms, entrepreneurship training and education, regulatory environments and research, and development transfer (Herrington & Kew, 2016).

While not denying the importance of financial support to the success of SMMEs, to ensure their holistic survival, their non-financial business requirements need to be understood and addressed. The adequate supply of efficient non-financial or targeted business development services can therefore compliment financial resources, or mitigate the lack thereof (Stein, Ordic, & Hommes, 2013).

2.6 Business incubators

In response to the drastically low success rates of SMMEs, business incubation has been identified as a vehicle to progressively aid and expand SMMEs. This will help foster starts ups, as well as supporting existing businesses in the early stages of development and can be achieved through targeted business support and technical support services. As part of its broader support for the smaller enterprise economy, South Africa has extended its commitment to business incubation (Masutha & Rogerson, 2014b).

In the early stages of development, business incubators and their processes increase the survival rates of new ventures. Business incubators position themselves as entrepreneurial firms that source and macro-manage the innovation process within new ventures. They connect such ventures to resources such as talent, access to markets, and access to funding at various developmental milestones while mitigating the potential risk of failure within such emerging organisations (Aggarwal, 2012).

The business incubation process seeks to create a link between know-how, capital, and technology in order to leverage entrepreneurial talent and accelerate development (Grimaldi & Grandi, 2005).

By buffering new ventures from the environment to give them room to grow philosophically, incubators tend to nurture nascent ventures. According to the NBIA, incubators allow vulnerable nascent business to become stronger before becoming independent by sheltering them from business forces within their environments. While no two incubators are exactly the same, in general, incubators receive rent and fees from tenant firms in exchange for office space and administrative support services. Incubators may also provide access to talents such as consulting, access to markets and even access to financiers (Cohen & Yael, 2014).

However disputed the definitions around business incubators are there is an emerging consensus on what they offer. This includes a range of targeted business support and technical support services aimed at assisting emerging and start-up businesses in growing into economically viable and operationally independent enterprises (Masutha & Rogerson, 2014b).

Summarised by Bruneel et al. (2012) the following definitions of business incubation are set out in the table below:

Table 2 : Business incubation

Association	**Definition**
National Business Incubation Association	Business incubation is a business support process that accelerates the successful development of start-up and fledgling companies by providing entrepreneurs with an array of targeted resources and services. A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding.

United Kingdom Business Incubation	Business Incubation is a unique and highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through the early stages of development and change.
European Commission	A business incubator is an organisation that accelerates and systematises the process of creating successful enterprises by providing them with a comprehensive and integrated range of support, including: Incubator space, business support services, and clustering and networking opportunities.

From experience with earlier industrial estates and small enterprise service centres, business incubation has come a long way in the last 30 years. Known as the first generation, incubators in the 1980s essentially only offered affordable space and shared facilities to a select group of entrepreneurs. As time went on, a need was recognised for supplementing the work space with counselling, skills enhancement, networking services to access professional support, and seed capital for tenants within the facility and affiliates outside. This has led to what is known as the second generation incubator. Despite the need being recognised, studies have shown that many incubators in the developing countries are still stuck in the first generation (Bergek & Norman, 2008).

The basic function and core value proposition to all kinds of business incubators is infrastructure. Infrastructure consists of office space rented in favourable conditions to incubatees and often has small production facilities or mixed units available to tenants. Provision of space and shared resources, such as reception, clerical services, meeting rooms, conference rooms, or parking lots have been identified by tenants as the most beneficial features of incubators (Bruneel et al., 2012). For the purpose of this paper the value proposition of the support services offered by business incubators will be explored.

2.7 Targeted business support

Every SMME differs in some way from another, their success is normally contingent on resources they have at their disposal. These resources are comprised of both financial and non-financial elements (Gustavo-Nahum, 2013).

Targeted business support, it has been agreed, is one of the most significant factors to improve SMME performance in developing countries in terms of economic growth, poverty reduction and increased employment (Ageze, 2006).

Ageze (2006) defines targeted business support as services which improve the performance of an enterprise, its access to markets, and its ability to compete. These services can be categorised as policy and regulatory, infrastructure, technology and product development, input supply, access to markets, training, and technical assistance.

As summarised by Gustavo-Nahum (2013), targeted business support can be categorised as follows:

Table 3 : Summary of business support services

Targeted business support categories	**Examples**
Policy / advocacy	Training, sponsorship and direct advocacy on behalf of SMMEs
Infrastructure	Incubation and workstation facilities, courier and logistic services, telecommunications, storage and

	warehousing
Technology and product development	Business service provider i.e. advisory service, financial and taxation advice, accountancy and bookkeeping, legal services, mentorships, business plans, and feasible studies
Input supply	Linking SMMEs to 'big business', suppliers and facilitating bulk buying groups
Access to markets	Business marketing, advertising, product promotion, market research
Training and technical assistance	Leasing of equipment, quality assurance programs, technology transfer
Alternative financing	Facilitating supplier credit, equity financing

2.7.1 *Policy / advocacy*

The regulatory environment in any given society can either aid or impede SMME development. Despite the obvious contribution SMMEs make to economic growth and poverty alleviation, some countries put in place regulations that make it more challenging to start a new business. These costly regulations can impede economic growth (Klapper, Laeven, & Rajan, 2006).

However, according to Gnyawali and Fogel (1994), governments can influence the market mechanisms in retrospect and make them function efficiently and in the favour of SMMEs by removing conditions that create market imperfections and administrative rigours. They can also create an "enterprise culture" that enables firms, including SMMEs, to take reasonable risks and seek profits. The reliance on the regulatory environment proves to be substantial especially in developing economies and it can be easily understood why support to SMMEs in this area would be paramount.

2.7.2 *Infrastructure*

In all types of societies, whether they are developed or developing economies, there is growing evidence of the importance of intangible resources such as social capital

and entrepreneurship know-how. These resources are proving to be the oil, coal, and diamonds of the 21st century (Carayannis & Zedtwitz, 2005).

One way to help bridge knowledge, digital, and even cultural gaps within developing economies is through incubation. Increasing SMME's access to incubation is to increase awareness and accessibility to social, intellectual and financial capital, which are all key elements for SMME success (Carayannis & Zedtwitz, 2005).

Often, as in the case with SMMEs, incubators offer access to resources and entrepreneurial know-how which is desperately needed. However, incubation without assistance can be a daunting task for SMMEs, it is therefore up to incubator personnel to assist and support in the building of value-adding network relations (Totterman & Sten, 2005).

2.7.3 *Technology and product development*

Technology and product development cover a wide range of services. These services are summarised as business advisory services and are one of the most universal and consistent forms of government support afforded to SMMEs (Cumming & Fischer, 2011).

SMMEs differ in the use of business advisory services and use sources from both public and private sectors, especially professionals such as solicitors and accountants. This being said, it is generally understood that the market demand for business advice is growing (Hjalmarsson & Johansson, 2003).

Without access to required expertise such as accountants, lawyers and third-party consultants, entrepreneurs and SMMEs cannot present convincing applications for funding (*Accelerating Entrepreneurship in Africa*, 2012).

2.7.4 *Input supply*

One of the defined elements of input supply as non-financial business support is the ability to link SMMEs to 'big business'. Luiz (2000) states that by supplying a sustainable source of demand, 'big business' can act as a powerful catalyst for the SMME sector, creating a positive externality to SMMEs through skills transfer.

Although not fully integrated into the mainstream economy of South Africa, the SMME sector largely exists on the edges, often without links to the broader economy. If the SMME sector is to reach its full potential and become fully sustainable, links to the rest of the business sector have to be developed and these links need to be mutually beneficial in order to be sustainable (Luiz, 2000).

2.7.5 *Access to markets*

According to Ofafa (2013), a severe constraint on SMME growth and competitiveness is the limited access to markets. Access to markets includes several factors; weak capacity for e-commerce, limited market research and analysis, restrictive market entry, weak advertising and promotional capacities, poor access to physical markets, and poor linkages to export markets.

As can be seen, access to markets cover a wide range and any support measures put in place can greatly aid SMME success.

2.7.6 *Training and technical support*

Scorsone and Powers (2005) suggested that the recognised lack of technical assistance in SMMEs allowed for some support programs to be established. However, it has been increasingly recognised that, especially in rural communities, gaps persist in technical assistance and support services. This is particularly personified by the geographic dispersion and distance between service providers and SMMEs.

2.7.7 *Alternative financing*

The ability to access finance has been identified as a major constraint to entrepreneurial and SMME development throughout the literature.

Identified by Denis (2004), this is typical of SMMEs and entrepreneurs because such business are not yet profitable and lack tangible assets and so debt financing is usually not an option.

Such businesses tend to rely on other sources of finance, primarily outside equity finance, such as:

- Corporate investors, whereby corporations invest for various strategic or financial reasons.
- Angel investors, referring to high net worth individuals investing personal funds into small sets of companies.
- Venture capital funds, where managing partners invest for an equity stake within the business (Denis, 2004).

2.8 Demand for targeted business support in South Africa

According to the GEM report on South Africa in 2009, the lack of financing has usually been identified as the main inhibitor to SMME development and entrepreneurial growth. However, the report identifies that providing finance to inexperienced and poorly skilled entrepreneurs and SMMEs is an ineffective allocation of limited resources, especially if the entrepreneurs and SMMEs in question do not possess the necessary skill set to make full use of such financing (Herrington et al., 2009).

Similarly, Quartey and Abor (2010) ascertain that although access to finance may be identified as the immediate reason for a SMME's success or failure, more fundamental reasons lie elsewhere. They justify this by affirming that, regardless of the exact nature, potential finance providers are unlikely to support a business which they view as unsound. Finance merely acts as the "glue" which binds all diverse facets of SMME development.

According to the Small Business Connect ("Entrepreneurial skills needed to compete," 2015) the Minster of Small Business Development, Honourable Ms. Lindiwe Zulu said;

> *"Business failure is often attributed to the lack of entrepreneurial knowledge and skills such as innovation and risk taking and therefore should not be overlooked as essential ingredients to SMME success".*

The importance of business support is paramount to the success of SMMEs. Many have been of the opinion that SMMEs need more than just financial support and so have intervened to provide the much needed targeted business support to SMMEs (Ageze, 2006).

With the importance of NFBS being unchallenged, the South African government has, in fact, established many Business Development Support programs.

As reported by the DTI, with the publishing of the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, the intention is to create an environment which encourages the establishment of a support structure enabling legislation, institutional reform, financial, and other forms of assistance for small business development ("SME Development," 2017).

Government has established several institutions mandated to deliver a wide range of key services, including both financial and non-financial support services, to small enterprises.

Government institutions that offer support to SMMEs include the following ("SME Development," 2017):

- Small Enterprise Development Agency (seda);
- Small Enterprise Finance Agency (SEFA);
- National Empowerment Fund (NEF);
- Industrial Development Corporation (IDC);
- National Youth Development Agency (NYDA);
- Land Bank;
- Mafisa; and
- Provincial agencies

2.9 Business incubation in South Africa

In Africa, business incubation is a relatively new concept but over the recent years many African counties are starting business incubation centres to instil an entrepreneurial culture among women and youth. By offering targeted business services and links to aspects such as finance, talent, and mentorship, most countries in Africa have been engaged in establishing incubators as a remedy for the disadvantages SMMEs face in their working environments (Aggarwal, 2012).

As put forward above, South Africa's national DTI recognises business incubation as a viable tool to help SMMEs grow and become economically sustainable and globally competitive. This will create the potential of easing the triple challenge of creating jobs, alleviating poverty, and empowering previously marginalised groups and so contributing to the growth of both the national and local economy (Masutha & Rogerson, 2014c).

Through the creation of employment opportunities and the transfer of skills, the primary objective of public sector incubators is to broaden economic participation, including disadvantaged communities, in South Africa (Masutha & Rogerson, 2014c).

However, with the current low survival rate of SMMEs in South Africa, it is believed that such government interventions and programs were poorly marketed and ineffectively implemented. For this reason the DTI have been heavily criticised (Herrington et al., 2009).

According to GEM, providing business support to all SMMEs in South Africa is beyond reach, both in terms of capabilities and financial resources (Herrington et al., 2009).

Luiz (2000) states that SMMEs displayed very little awareness of the DTI business support programs. At the heart of why well-intentioned business support programs suffer from suboptimal implementation is the incapacity of support institutions, such as the DTI, to persuasively raise awareness of the existence and effectiveness of such programs (Rogerson, 2004).

This lack of awareness of business support programs is strengthened by the uneven geographic distribution of service providers. It is understood that there is no lack of business support programs but rather an uneven spread of where, how and in what industries these services are offered (Rogerson, 2004).

Furthermore, despite the established advantages of SMME success, many studies are finding SMMEs often see little value in such support programs (Rogerson, 2008). This is because some SMMEs cannot afford the high economic and accounting costs of training and business services while others just do not see the need to upgrade their skills due to complacency (Quartey & Abor, 2010).

2.10 Focus of the study

The investigation into why these programs are being poorly marketed and struggling with implantation is the crux of this study. The aim is to understand the view of such programs from an entrepreneurial/SMME perspective and so understand their perception of the importance of such programs.

2.10.1 *Proposition 1: Perceived disposition*

Entrepreneurs/SMMEs perceived negative dispositions or rather disinclinations to incubated business support programs often derive from the fact that they have seen little or no value in such programs.

2.10.2 *Proposition 2: Demographic association*

Perceived associations exist between demographics such as age, education, and working experience of the entrepreneurs/SMMEs and their observed dispositions on the services offered by incubated business support programs.

2.11 Conclusion of literature review

This chapter provided an important overview of SMME development in developing countries in general, and in South Africa specifically. This was done alongside the understanding of the challenges that these SMMEs face in meeting their growth objectives. Understanding these challenges is especially important in providing the context within which South African SMMEs operate, and the unique factors that affect them. Moreover, this understanding was key to identifying the non-financial business support services that are critical for their success.

In order for SMMEs to grow and thrive, it is clear from the literature highlighted in this report that non-financial business support services are paramount. There is insufficient emphasis on how SMMEs can be supported in this context to ensure their holistic survival. Gaining a fuller understanding of the perceptions of SMMEs on NFBS programs and their challenges is, therefore, imperative. By using an on-line survey for SMMEs, the researcher has conducted primary research to explore the different perceptions and views on NFBS services available.

Chapter 3 provides a description of how this primary research was conducted, noting the samples and methodologies used, a description of the SMME survey, as well as the limitations of the study.

CHAPTER 3. RESEARCH METHODOLOGY

In this section the methodology will be discussed, followed by a description of the population and sample, the research instrument used, as well as the procedure used for data collection.

3.1 Research methodology / paradigm

The quantitative research method was used in this research report. Described by Steyn, Smit, Toit, and Strasheim (1994), any characteristic that is particular to a person is measurable on a numerical scale, information on such a characteristic is called quantitative data. These characteristics or data are either discrete data whereby observations can only assume fixed isolated values, or continuous data where observations can assume all possible values within a particular logical interval (Steyn et al., 1994). The quantitative data within this study is of a continuous nature.

Quantitative research methodology maintains the assumption of an observer paradigm and the research itself is independent of the researcher, as a result, quantitative methodology objectively measures reality (Williams, 2007).

The quantitative research method is well suited to this study as quantitative research employ strategies of inquiry such as surveys, and collect data on predetermined instruments that yield statistical data (Williams, 2007).

Survey research methods are used primarily when the researcher intends to capture phenomena in the moment, survey research is one of the best ways to gather data in the social sciences (Williams, 2007).

3.2 Research design

The quantitative research design that was used is a statistical study in the form of surveys which, as stated by Williams (2007), is a method that uses a closed ended instrument for sampling data from respondents who are representative of a population. A literature review was conducted earlier in this report to deepen the discussion and analysis, as this is the foundation and inspiration for substantial and useful research (Boote & Beile, 2005).

Research surveys generally mean observational studies of a statistical nature in the real environment. The population involved is often highly non-homogenous and the collection and measurement of the data are affected by a number of factors. These types of studies are in contrast with research in controlled environments (Sinha, 2000).

A simple and effective way of reaching a targeted population is through on-line surveys. Over the past decade there has been a tremendous increase in the use of internet based communication such as online surveys (Wright, 2005). It is now possible for researchers to design, conduct, and analyse their own surveys with minimal effort, yet many researchers are unaware of the advantages and disadvantages associated with conducting survey research online (Wright, 2005).

Advantages of on-line surveys:

- *Low cost*. Due to lower overheads because of being web based, on-line surveys generally cost a lot less.
- *Real-time access.* Data is stored electronically and so can be accessed and analysed with relative ease and with immediate availability.
- *Less time.* Rapid deployment and return times are possible with online surveys.
- *Convenience.* Respondents can answer questions on their schedule and at their own pace.

Given the geographic dispersion of the targeted population and the simple, cost effective approach, the researcher has opted to use web based on-line surveys. This being said, this methodological approach is not without its drawbacks and the researcher has considered the following limitations as put forward by Wright (2005):

- *Sampling issues*. Certain populations are less likely to have internet access and connectivity to respond to online questionnaires. Relatively little is known about the people in online communities aside from basic demographics which may also be questionable.
- *No interviewer.* Self-reported data has no guarantee that participants of the survey will provide accurate demographic or characteristic information.

For the purpose of this study, and given the advantages and disadvantages, the researcher opted to make use of online surveys.

3.3 Population and sample

3.3.1 *Population*

The target population was current and future SMMEs in South Africa. The population size surveyed was 334 which were segmented into two categories as set forth in Table 4, *Establish*ed *and Not-established*. *Established* was identified SMMEs who had registered a business and were currently trading, *Not-established* were identified entrepreneurs who intended to register and trade sometime in the future.

Table 4 : Respondent profiles

Description of respondent	Size of sample
Established	200
Not-established	134
Total	334

3.3.2 *Sample and sampling method*

As the research measured dispositions of both current and potential SMMEs in South Africa, the researcher found it challenging to estimate the population size as information available about SMMEs in South Africa is out-dated and inaccurate. The researcher enlisted the help of the Gauteng Enterprise Propeller (GEP) which provided a rich database of both current and potential SMMEs.

This left the researcher with two methods of sampling from which to choose namely, a probability or non-probability sample. A probability sample, as described by (Steyn et al., 1994), is if each element in the population has a known probability of being included in the sample and can be chosen at random.

The non-probability method explored in this study is known as judgmental sampling. This is a method that is used in situations where small samples have to be drawn from heterogeneous populations. The selection of the sample elements is left to the ‘judgement’ of a person who is familiar with the relevant population characteristics

(Steyn et al., 1994). Non-probability sampling is subjective and is subject to considerable sampling error and bias (Steyn et al., 1994).

A probability sample would have been ideal for this research. However, the sample selected for the purposes of this study was not a true random sample but more a non-probability sample, as the selection of the sample was determined by the researcher based on a database provided by the GEP. The error and biases here were that the database sample range only covered areas within the Gauteng region and that the criterion for the sample population was at the discretion of the GEP.

Furthermore, the sample was also a convenience sample in that access to the SMMEs, in particular, was determined from the GEP database and were approached based on accessibility for the researcher. No generalisation of results was done as the statistical analysis was conducted as a result of individual questionnaires testing for associations within variables.

3.4 The research instrument

The research instrument deployed in this study was in the form of an online survey which contained a questionnaire (APPENDIX B contains a copy of the questionnaire). The questionnaire contained 11 multiple choice questions, eight Likert scale ranking questions and one open-ended question. Multiple choice type questions were used in exploring the demographics of respondents. As this study measured willingness and dispositions, the research opted to use Likert scale ranking questions.

The online survey containing the research instrument was distributed directly by the researcher. An introductory email with a link to the online survey was sent to the subject (APPENDIX A contains a copy of the email). The data was collected through an internet survey tool called Qualtrics.

The questionnaire addressed issues such as level of awareness of target business support programs, as well as the SMME’s willingness to participate in the services offered by incubated business support programs.

3.5 Procedure for data collection

The research instrument used for this study was a self-administered questionnaire. The instrument was distributed electronically to 334 participants using an internet based tool called Qualtrics. Data was collected from a sample representative of a population, in a form that could be easily converted to numbers.

3.6 Data analysis and interpretation

According to Steyn et al. (1994), if any characteristic pertaining to a particular person or entity is measurable on a numerical scale then the information on such a characteristic is quantitative data. The data pertaining to this research was analysed through a combination of descriptive and inferential statistics. Descriptive statistics are used to describe the characteristics of a collection of data, whereas inferential statistics are used to make inferences from a smaller group of data to a possibly larger one (Salkind, 2007).

The descriptive statistical analysis was performed using an internet based tool called Qualtirics where the data was collected, cleaned and then collated through the use of frequencies, percentages and bar charts.

The inferential statistical analysis was performed using non-parametric tests called the Kruskal-Wallis test and the Spearman's Correlation Coefficient. A non-parametric test is used when the distribution is asymmetrical suggesting that the nature and numbers of the parameters of such a test are flexible and not fixed (Nachar, 2008). The data was ordinal and not interval data which was why non-parametric tests were used; the analysis was performed with the aid of SAS business analytics software and Microsoft Excel.

The data was interpreted to relate findings to the main research problem as well as the propositions. The results were linked to the pre-existing literature, concepts, theories and research studies.

3.7 Limitations of the study

This section briefly outlines the limitations of the study. The limitations of a study are the systematic biases that the researcher did not, or could not, control and in turn could inappropriately affect the research results (Price & Murnan, 2013).

3.7.1 *Sampling constraint limitations*

The sample selected for the purposes of this study was not a true random sample but more a non-probability sample, as the selection was determined by the researcher based on a database provided by the GEP. The error and biases here were that the database sample range only covered areas within the Gauteng region and that the criterion for sample population was at the discretion of the GEP.

3.7.2 *Data collection limitation*

The instrument was a self-report or self-administered questionnaire. It was then possible that the respondent could have been influenced by a degree of personal bias and, due to the lack of interviewer, may have misinterpreted the questions within the questionnaire.

3.7.3 *Data analysis limitation*

The study was based on a sample and the respondents could have partially completed the survey. The data set was ordinal and not interval data. Recoding data methodologies do exist, however, were not used in this research as non-parametric tests were used and made recoding of the data unnecessary.

3.8 Validity and reliability

Ways of demonstrating and communicating the rigour the research process and the trustworthiness of the research findings is known as reliability and validity (Roberts & Priest, 2006).

Validity is the extent to which the instrument measures what it is intended to measure (Leedy & Ormrod, 2014).

3.8.1 *External validity*

The external validity of the study relates to the ability to apply with confidence the findings of the study to other people and other situations beyond the study itself (Roberts & Priest, 2006). In other words, it is the extent to which the conclusions drawn can be generalised to other contexts (Leedy & Ormrod, 2001).

The ability to generalise these research findings across other contexts was limited due to the small sample size as well as the non-probability sampling method used. However, the ability to generalise was fulfilled in that the findings will be of value to aspiring and current business incubators in designing their programs.

3.8.2 *Internal validity*

The internal validity of a research study is the degree to which its design, and the data it produces, allows the researcher to draw accurate conclusions about cause-and-effect and other associations within the data (Leedy & Ormrod, 2001). Internal validity addresses the reasons for the outcome of the study and helps reduce other unanticipated reasons for these outcomes (Roberts & Priest, 2006).

The research met the internal validity measurement in that it used proven methods that have been applied in previous studies. Because the data was ordinal, a combination of inferential and descriptive statistics, namely Kruskal-Wallis and frequencies, were applied, however, limitations do exist in that these tests are non-parametric in nature. The research continued to meet the internal validity measurement as the Likert-scale questioning produced decisive answers and furthermore, the diversity of respondents also maximised validity.

3.8.3 *Reliability*

Reliability is the consistency with which the measuring instrument produces a certain result when the entity being measured hasn’t changed (Leedy & Ormrod, 2001).

Essentially, any research instrument should provide the same information if it is used at different times or by different people (Roberts & Priest, 2006).

To ensure that the data was reliable in this study non-probabilistic sampling was used.

3.9 Research ethics

Codes of ethics in academia is generally understood to act as a mechanism guiding and ensuring ethical behaviour (Yallop & Mowatt, 2015), one section of such codes is confidentiality. Confidentiality is underpinned by the principle of respect for autonomy which is taken to mean that identifiable information about respondents collected during the research process will not be disclosed without permission (Wiles, Crow, Heath, & Charles, 2008).

As confidentiality was of importance to this research, the researcher assured respondents of anonymity within the introductory email accompanying the research instrument (Appendix A). The researcher also ensured that the research instrument (Appendix B) had no identifiable information questions about respondents. Respondents participated in the research at their own free will.

CHAPTER 4. PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents the findings and results of the research. The data was analysed and the results reported in accordance with the research methodology chapter of this report. The first section presents the demographic profile of respondents. The remaining sections present the results pertaining to each proposition and an overall summary of the results presented.

4.2 Demographic profile of respondents

A total of 334 research questionnaires were sent out through a database of emails from various sources, 75 were returned and identified as useful, resulting in a response rate of 24,5%.

Table 5 : Gender

Gender	N	% of Total
Male	48	64%
Female	27	36%
All	75	100.00%

As set out in Table 5 showing the respondents, 48 were male and 27 were female.

Table 6 : Age

Age group	N	% of Total
18 to 24	3	4%
25 to 34	45	60%
35 to 44	15	20%
45 to 54	7	9.3%
55 to 64	5	6.7%
All	75	100.00%

The greatest portion of the respondents was aged between 25 and 34 years, at a total of 60%. The subsequent groups were between 35 and 44, and 45 to 54 with 20% and 9,3% respectively.

Table 7 : Qualification

Qualification	N	% of Total
High school	5	6.67%
Matric	17	22.67%
Diploma	14	18.67%
Degree	17	22.67%
Honours	9	12%
Masters	4	5.34%
Other	9	12%
All	75	100.00%

Of the respondents, the majority had matric as well as tertiary education. Slight niches were evident in respondents without matric and those with master level qualifications.

Table 8 : Industry

Business industry	N	% of Total
Manufacture	13	17.34%
Automotive	2	1.34%
Financial	9	12%
Creative industry	14	18.67%
Mining	3	4%
Pharmaceutical	1	1.34%
Tourism	1	1.34%
Construction	15	20%
Real Estate	6	8%
Agro-processing	2	2.67%
Retail sector	9	12%
All	75	100.00%

Of the 11 identified industries in South Africa, the majority of respondents were in the construction, manufacture, and creative industries respectively.

Table 9 : Years operational

Years operational	N	% of Total
0-2	15	20%
2-5	20	26.67%
5-10	14	18.67%
10-15	9	12%
15-20	4	5.34%
20+	13	17.34%
All	75	100.00%

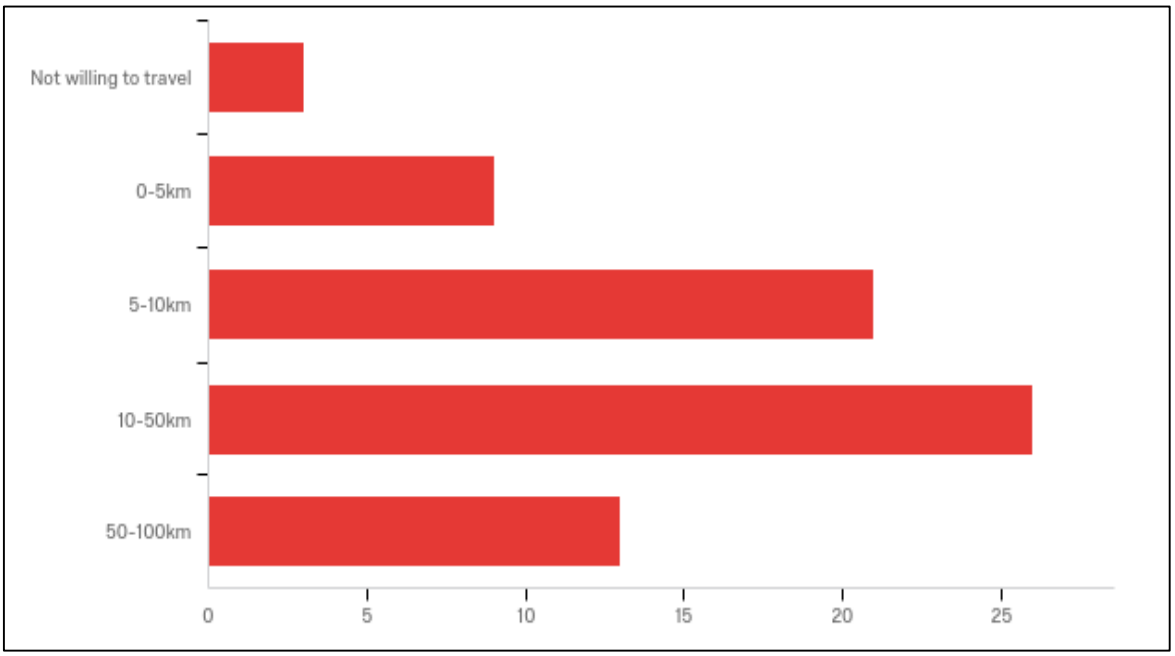
The greater portion of respondents had businesses operating between two and five years, with a fairly equal distribution in the following two groups being between 0 and two years, and five to ten years.

4.3 Results pertaining to Proposition 1: Perceived disposition

The research was carried out using a survey. The survey comprised of 11 multiple choice questions, eight Likert scale ranking question and one open-ended question. In seven of the Likert-scale ranking questions the respondents were asked to rank their willingness (disposition) to use the services offered by incubated business support programs as identified in the literature review. Q12 asked respondents to indicate the maximum distance they were willing to travel to utilise such services and Q20 asked respondents to indicate their willingness to pay for those services.

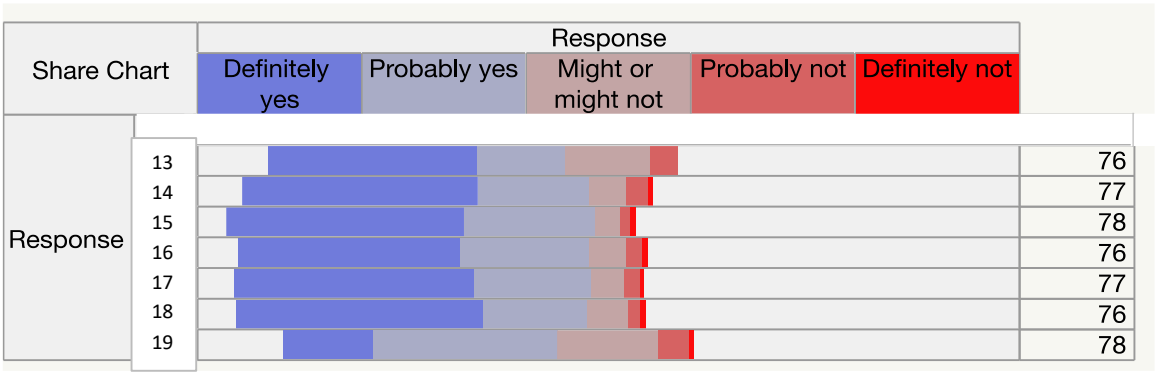
Through descriptive statistics, and with the aid of Qualtrics, the frequencies were calculated and charted. The figures below summarise the results showing the percentage of responses per ranking for each survey item.

Figure 1 : Traveling distance



As the responses in Figure 1 show, the majority of respondents were willing to travel to attend services offered by incubated business support programs.

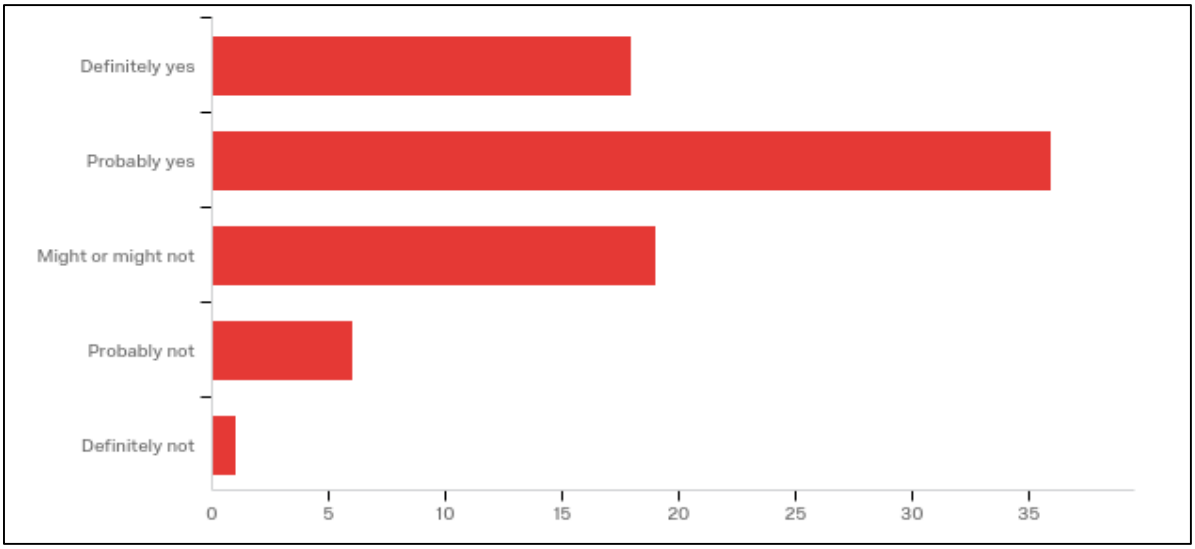
Figure 2 : Share chart Q13-Q19



As can be seen from Figure 2, the majority of respondents answered either ‘Definitely yes’ or ‘Probably yes’ to question 13 through 19. Question 13 related to attending incubators which provided infrastructure and facilities to entrepreneurs. Question 14 related to respondents attending incubators that provided sound advice on labour law and regulatory issues within the South African business environment. Question 15 related to financial and taxation advice offered by incubators, as well as bookkeeping, mentorship, and business plan advice. Question 16 related to advice on marketing,

question 17 on funding options, question 18 on business strategies and question 19 related to respondents attending incubators to network with other entrepreneurs.

Figure 3 : Willingness to pay



As can be seen from the responses in Figure 3, when asked about their willingness to pay for the services offered by incubated business support programs the majority of respondents answered either ‘Definitely yes’ or ‘Probably yes’.

4.4 Results pertaining to Proposition 2: Demographic association

The responses to the survey distributed were analysed with the aid of business analytics software called SAS, using non-parametric methodologies, namely, the Kruskal-Wallis test and the Spearman’s Correlation Coefficient. These two methodologies were used to test for associations between the respondent’s demographics and their willingness to participate in the services offered by incubated business support programs. The results were tabulated and are as follows;

Table 10: The Kruskal-Wallis Test

Item	Chi-Square	p-value
Willing to travel	3,0006	0,0832
Infrastructure	1,8856	0,1697
Regulation	0,7232	0,3951

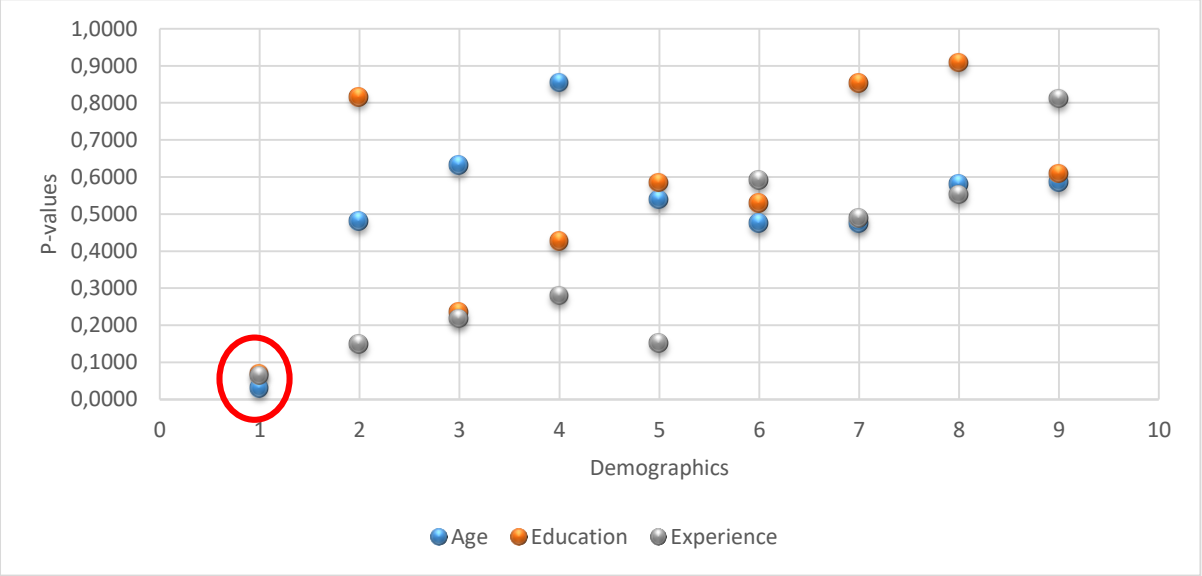
Financial	0,9704	0,3246
Marketing	1,9642	0,1611
Funding	1,1442	0,2848
Partnerships	0,7127	0,3986
Networking	0,0979	0,7544
Willing to pay	0,0766	0,7819

The Kruskal-Wallis test revealed statistical significance in the respondent's willingness to travel at a significance level of 10%. A statistical significance existed in the respondent's willingness to travel.

Table 11: The Spearman's Correlation Coefficient

	Age		**Education**		**Experience**	
	Spearman Correlation Coefficients	**p-value**	**Spearman Correlation Coefficients**	**p-value**	**Spearman Correlation Coefficients**	**p-value**
Willing to travel	-0,2567	0,0307	-0,2154	0,0691	-0,2211	0,0638
Infrastructure	0,0822	0,4803	0,0270	0,8159	-0,1675	0,1480
Regulation	-0,0554	0,6320	0,1360	0,2351	-0,1423	0,2171
Financial	-0,0210	0,8552	0,0908	0,4262	-0,1239	0,2797
Marketing	-0,0702	0,5385	0,0620	0,5846	-0,1633	0,1505
Funding	0,0827	0,4748	-0,0723	0,5296	-0,0623	0,5902
Partnerships	-0,0822	0,4746	-0,0212	0,8532	-0,0794	0,4894
Networking	0,0640	0,5803	-0,0132	0,9087	-0,0688	0,5522
Willing to pay	-0,0622	0,5863	-0,0581	0,6089	-0,0272	0,8120

Figure 4: Correlation analysis



The data was processed at a significance level, α = 10% as well as significance level, α = 5%.

As the Kruskal-Wallis test revealed a statistical significance in the respondent's willingness to travel to attend incubated business support programs, a further analysis was done using the Spearman's Correlation Coefficient which tests the strength of associations between two variables (Hauke & Kossowski, 2011).

As can be seen from Table 11 the respondent's willingness to travel and the services offered by incubators were tested against the respondent's age, education, and experience to reveal if any associations existed. As seen in Table 11 and Figure 4, significant associations existed between the respondent's willingness to travel and their age, education and experience. No other statistically significant relationships existed.

4.5 Summary of the results

In conclusion, the propositions set out in the paper were explored through the research instrument dispositions and significant associations were recorded, measured and presented.

The first section of this study sought to assess the disposition of entrepreneurs/SMMEs on incubated business support programs. The results of the tests found respondents to have significantly positive dispositions towards incubated business support programs regardless of their demographics and in contradiction to the explored literature.

The second section of the study was to test associations between the respondent's dispositions and the services offered by incubators against the respondent's demographics. The study revealed that an association existed only between the respondent's demographics and their willingness to travel to attend incubated business support programs. The study identified that younger respondents were willing to travel further. Less experienced and less educated respondents were also willing to travel further. That data is revealing, however, more research is required for further analysis.

CHAPTER 5. DISCUSSION OF THE RESULTS

5.1 Introduction

The main proposition of the paper is to assess the disposition of SMMEs on incubated business support programs in South Africa. In order to conduct this assessment, the researcher focused on the two propositions set forth within the paper.

This chapter presents a discussion of the results of the two propositions in relation to the reviewed literature. The structure that will be followed will start with a brief summary of the demographic profile of respondents followed by discussions pertaining to both propositions.

5.2 Demographic profile of respondents

A population of 334 was considered sufficient to give a strong enough analysis for the research paper requirement. Upon completion of the survey a total of 75 responses were collected.

The demographic testing of the respondents revealed that 48 were male and 27 were female. The greatest portion of the respondents was aged between 25 and 34 years old. A majority of the respondents had matric as well as tertiary education. The largest numbers were found in the construction, manufacture, and creative industries. The greater portion of respondents had businesses operating between two and five years.

5.3 Discussion pertaining to Proposition 1: Perceived disposition

The findings with regard to Proposition 1 revealed an overwhelmingly positive response towards incubated business support services. According to the analysis, the results suggested that respondents were highly likely to attend business programs that provided networking capabilities, access to markets, marketing advice, mentorships, business studies, and access to funding options. The results advocated that respondents realised the importance of such programs in relation to enterprise success.

However, according to the reviewed literature, many studies are finding that SMMEs often see little value in such support programs (Rogerson, 2008). The literature further

states that South Africa has the third lowest score in efficiency-driven economies with regard to entrepreneurial attitudes and perceptions in terms of perceived capabilities (Herrington et al., 2009). Despite the importance of skills as a determining factor of SMME success in South Africa, remarkably many studies find that SMMEs see little need for developing their business skills and training (Rogerson, 2008). This study proves to be in contradiction to the reviewed literature in this regard.

The research is in congruence with the reviewed literature that, in order to ensure a holistic approach to the success of SMMEs, the importance of targeted business support needs to be realised. By improving SMME's access to business support programs, the likelihood of SMME success rates increasing would be enhanced (Gustavo-Nahum, 2013).

The literature states the basic function and core value proposition to all kinds of business incubators is infrastructure. Infrastructure consists of office space rented in favourable conditions to incubatees and often has small production facilities or mixed units available to tenants (Bruneel et al., 2012). Essentially, incubators that only offer affordable space and shared facilities to tenants are known as first generation incubators. Second generation incubators, however, supplement office space with counselling, skills enhancement and networking services to access professional support, and seed capital, for tenants within the facility and affiliates outside (Bergek & Norman, 2008). As was seen from the research findings, respondents have not only put emphasis on office infrastructure but also on other business support services such as networking, skills enhancement, marketing, mentorship, and access to funding. This suggests that SMMEs in South Africa are more aligned and in need of second generation incubators that supplement office space for additional business support services.

With regards to Proposition 1, the research implies that there is a possible shift of perceived disposition around incubated business support programs. The reviewed literature suggested little value was assigned to such programs by SMMEs and entrepreneurs. However, the study reveals a positive association suggesting a shift that may be brought about through factors such as age, whereby younger generations are viewing such programs differently. The research also suggests that dispositions

around incubated business programs could be influenced by external forces such as the industries in which SMME's operate.

Furthermore, the research is proposing that the SMME environment in South Africa is suitable for the second generation of business incubators. Infrastructure would then be partly supplemented with business support services such as networking, mentorship, marketing, and financing options as a holistic approach to support SMME development.

5.4 Discussion pertaining to Proposition 2: Demographic association

The findings with regard to Position 2 revealed very little statistical significance in the demographics of respondents and their willingness to attend the services offered by incubated business support programs. The only statistical significance present was a willingness to travel among younger, less educated, and less experienced respondents.

According the reviewed literature, at the heart of why well-intentioned business support programs suffer from suboptimal implementation is the incapacity of support institutions, such as the DTI, to persuasively raise awareness of existence and effectiveness of such programs (Rogerson, 2004). This has led to criticism of the DTI because such programs are poorly marketed and ineffectively implemented (Herrington et al., 2009). Furthermore, the literature suggests that there is no lack of business support programs but rather an uneven spread of where, how and in what industries these services are offered (Rogerson, 2004).

It could be said that the research findings are in agreement with the literature as the findings reveal that, although positive associations among respondents and their willingness to attend programs exist, the ambiguity of entrepreneur's/SMME's demographic provides no solace for marketing efforts. This is because no credible association exists between demographics and services offered by incubators.

Compared to the reviewed literature, the research is in agreement that the incapacity of support institutions to effectively raise awareness of incubated support programs is at the heart of why such programs are being ineffectively implemented and rolled out. This is because the ambiguity of entrepreneurs/SMMEs is high and that there is no

significant association between the demographics of entrepreneurs/SMMEs and services offered by incubator business support programs.

5.5 Conclusion

The main purpose of the research is to understand the disposition or willingness of entrepreneurs/SMMEs to attend incubated business support programs which the research has confirmed to be positive among respondents.

The research has suggested that respondents have a positive disposition towards such support programs and show a high willingness to attend these programs and support initiatives.

South Africa has identified entrepreneurship and SMME development as an engine to tackle the triple challenges of alleviating poverty, creating equal employment opportunities, and to kick-start economic growth. It is, therefore, vitally important to understand the viewpoints of SMMEs and entrepreneurs on support initiatives. It is also imperative to find out what stumbling blocks exist hindering the effective implementation of such initiatives.

As the research has confirmed, one such hindrance is the ineffective marketing and ability of support institutions to raise awareness of incubated business support programs.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

In this research, academic literature and research methodologies in the areas of SMME development and business incubation were referenced. The study looked towards literature to provide a theoretical basis for the study and the formulation of testable hypotheses. The theories in this field led to two main sub-topics of study. First, it was important to understand the attitude SMMEs have towards incubated support programs as this would form the basis of program success. Second, the research sought to understand the awareness SMMEs have about incubated support programs and how this might accelerate or hinder effective program implementation. The results of the study revealed important information about the possible shift of SMME perceptions of business support programs and vital learning about persistent challenges such as program awareness.

This section presents the conclusions of the study, followed by recommendations and suggestions for further research on the subject matter.

6.2 Conclusions of the study

SMME development has proven to be an extremely valuable commodity throughout the research. The importance of SMME development is paramount to the overall growth and prosperity of the South African economy.

Both the public and private sectors are actively engaged in facilitating and encouraging SMME development. This is motivating in depth studies on how the country can achieve such development and growth through the creation and development of support programs such as business incubators.

It has become evident through this research that SMMEs have an overwhelmingly positive attitude towards business incubators and the services they offer. These services range from finance to infrastructure and networking potential for businesses and entrepreneurs alike. This research has suggested a shift in the perception of SMMEs around business incubators and similar support programs from the perceptions identified in previous studies. This shift suggests a more open attitude

towards support programs and a willingness to participate, motivating the further establishment and growth of such initiatives.

This research has also identified that, although the perceptions of SMMEs around initiatives such as business incubators are positive, they are not without their challenges. These are the ineffective ability of institutions to effectively and aptly market and drive awareness of the existence of business incubators. The research has identified that, although awareness of business incubators is low, the overall perceptions of such initiatives are unchanged and remain highly positive.

6.3 Recommendations

The results of the study reveal that, across the different demographics, the level of awareness of business incubators is low. This has a direct influence on the effectiveness and success incubators may have on the South African SMME landscape.

The study also reveals a positive attitude by SMMEs toward business incubators and the services they offer. It is recommended that awareness around such initiatives be raised. The intention of initiatives, such as incubators is to bridge the knowledge and funding gaps the majority of SMMEs face. Raising awareness will have a positive outcome and establish business incubators as cornerstones of enterprise success within the South African economy.

6.4 Suggestions for further research

- Further research into which services offered by business incubators are seen as the most valuable and beneficial, comparing financial and non-financial services in a South African context.
- Further research into ways in which to better raise awareness and market business incubators would be interesting. This would be especially interesting if segmented by an age demographic such as whether or not younger incubatees could be researched through social media as opposed to older incubatees and traditional advertising.

- Further investigation of how the geographical placement of incubators affects their overall implementation and success. Also how such logistical challenges might be overcome with access to internet and the fourth industrial revolution.
- Further investigation into the SMME environment and how conducive it is to both the first and second generation incubators.

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APPENDIX A

Actual research instrument

Dear Entrepreneur / Future Entrepreneur

By way of introduction, my name is Brendan Barnes. I am a final year MBA student at Wits Business School.

I am doing a research project on Small, Medium and Micro enterprise development in South Africa in collaboration with the Gauteng Enterprise Propeller.

A research survey was compiled to help better understand the relationship between subsidiaries such as the Gauteng Enterprise Propeller and SMME's (present and future) such as yourself. I sincerely request less than 5 minutes of your time to fill out an online questionnaire to aid in the research. The online questionnaire is completely anonymous however if you should require further clarity, please contact me via e-mail and I will respond within 1 working day.

Your assistance in the questionnaire would be greatly appreciated. Please follow the link at the bottom of this e-mail.

Regards

Brendan Barnes (Wits MBA Student)
Contact details: brendan.barnes86@hotmail.com AND 0718912586
Details of the research supervisor: Mr Laurence Breder
Contact details: Laurence.Beder@wits.ac.za

APPENDIX B

Research questions

Q1 What is your gender?

- ❍ Male (1)
- ❍ Female (2)

Q2 What is your age?

- ❍ 18 to 24 (1)
- ❍ 25 to 34 (2)
- ❍ 35 to 44 (3)
- ❍ 45 to 54 (4)
- ❍ 55 to 64 (5)
- ❍ 65 to 74 (6)
- ❍ Older (7)

Q3 What is your highest qualification?

- ❍ High school (1)
- ❍ Matric (2)
- ❍ Diploma (3)
- ❍ Degree (4)
- ❍ Honours (5)
- ❍ Masters (6)
- ❍ Other (7)

Q4 Number of years working experience?

- ❍ 0-2yrs (1)
- ❍ 2-5yrs (2)
- ❍ 5-10yrs (3)
- ❍ 10-15yrs (4)
- ❍ 15-20yrs (5)
- ❍ 20-30yrs (6)
- ❍ 30+yrs (7)

Q5 In which industry is your business?

- ❍ Manufacture (1)
- ❍ Automotive (2)
- ❍ Financial (3)
- ❍ Creative industry (4)
- ❍ Mining (5)
- ❍ Pharmaceutical (6)
- ❍ Tourism (7)
- ❍ Construction (8)
- ❍ Real Estate (9)
- ❍ Agro-processing (10)
- ❍ Retail sector (11)

Q6 Number of years your business has been operational?

- ❍ 0-2yrs (1)
- ❍ 2-5yrs (2)
- ❍ 5-10yrs (3)
- ❍ 10-15yrs (4)
- ❍ 15-20yrs (5)
- ❍ 20+yrs (6)

Q7 Number of employees?

- ❍ <5 (1)
- ❍ 5+ (2)
- ❍ 10+ (3)
- ❍ 50+ (4)
- ❍ 100+ (5)

Q8 Are you aware of any business support programs available to small, micro and medium sized businesses?

- ❍ Yes (1)
- ❍ No (2)

Q9 If yes, please state which programs

Q10 How did you hear about such programs?

- ❍ Social media (1)
- ❍ Internet search (2)
- ❍ Traditional advertising (3)
- ❍ Television (4)
- ❍ Radio (5)
- ❍ Word of mouth (6)

Q11 Are you aware of such business support programs within your area?

- ❍ Yes (1)
- ❍ No (2)

Q12 If not, what is the maximum distance you would be willing to travel to attend such programs?

- ❍ Not willing to travel (1)
- ❍ 0-5km (2)
- ❍ 5-10km (3)
- ❍ 10-50km (4)
- ❍ 50-100km (5)

Q13 I would attend a business support program that provided infrastructure to business such as internet facilities, work/office space, conference facilities and secretarial services:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

Q14 I would attend a business support program that provided sound advice on labour law, regulatory issues and policy surrounding business in South Africa:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

Q15 I would attend a business support program that provided sound financial and taxation advice, accountancy and bookkeeping, mentorship, business plans and feasible studies:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

Q16 I would attend a business support program that provided advice on access to markets, business marketing, advertising, product promotion, market research:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

Q17 I would attend a business support program that provided assistance in the sourcing of funding and provided advice on alternative methods to source funding:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

Q18 I would attend a business support program that provided links to bigger businesses with potential for strategic business relations:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

Q19 I would attend a business support program that provided networking opportunities with other business owners with the potential for strategic business relations:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

Q20 I would be willing to pay for such business support programs:

- ❍ Definitely yes (1)
- ❍ Probably yes (2)
- ❍ Might or might not (3)
- ❍ Probably not (4)
- ❍ Definitely not (5)

APPENDIX C

Biographical information of respondents

Q1 Gender	N	% of Total
Male	48	64%
Female	27	36%
All	75	100.00%

Q2 Age group		
18 to 24	3	4%
25 to 34	45	60%
35 to 44	15	20%
45 to 54	7	9.3%
55 to 64	5	6.7%
All	75	100.00%

Q3 Qualification		
High school	5	6.67%
Matric	17	22.67%
Diploma	14	18.67%
Degree	17	22.67%
Honours	9	12%
Masters	4	5.34%
Other	9	12%
All	75	100.00%

Q4 Working experience		
0-2yrs	5	6.49%
2-5yrs	12	15.58%
5-10yrs	20	28.57%
10-15yrs	24	31.17%
15-20yrs	7	9.09%
20-30yrs	3	3.90%
30+yrs	4	5.19%
All	75	100.00%

Q5 Business industry		
Manufacture	13	17.34%
Automotive	2	1.34%
Financial	9	12%
Creative industry	14	18.67%
Mining	3	4%
Pharmaceutical	1	1.34%
Tourism	1	1.34%
Construction	15	20%
Real Estate	6	8%
Agro-processing	2	2.67%
Retail sector	9	12%
All	75	100.00%

Q6 Years operational		
0-2YRS	15	20%

Q6 Years operational		
2-5YRS	20	26.67%
5-10YRS	14	18.67%
10-15YRS	9	12%
15-20YRS	4	5.34%
20+YRS	13	17.34%
All	75	100.00%

Q7 Number of employees		
<5	25	35.90%
5+	10	12.82%
10+	20	25.64%
50+	8	10.26%
100+	12	15.38%
All	75	100.00%