FACTORS INFLUENCING INDIVIDUALS' PROPENSITY TO START THEIR OWN BUSINESSES IN SOUTH AFRICA

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ABSTRACT

The aim of this paper was to investigate factors that influence individuals' propensity to start their own businesses. These factors were divisible into three categories: non-psychological, psychological and environmental factors.

A survey was conducted on 36 existing entrepreneurs and potential entrepreneurs on a purposive and convenience basis. The data gathered was nominal and ordinal, the latter being rescaled into interval data using Stacey's (2005) Normal Distribution Fitting Algorithm. The results of the survey indicated that in the South African context, entrepreneurs' propensity to start businesses is largely influenced by psychological factors, and that the strongest factors were the desire to create wealth for themselves, their desire for independence, their inclination to take risks and tackle challenges. A majority of the entrepreneurs also agreed that education in entrepreneurship could increase the quality of businesses that are started.

Although previously published literature on non-psychological factors such as lack of business skills, low education levels, inefficiency of government structures, social networks and exposure to family business suggest a negative impact on entrepreneurial propensity, the results of this study indicate that South African entrepreneurs disagree that these factors would have a negative influence on their inclination to start a business.

The findings of this survey will benefit different stakeholders that have the interest in engaging and in promoting entrepreneurship in South Africa. These include business schools, government, financiers and potential and existing entrepreneurs.

DECLARATION

I, Nonhlanhla Nkambule, declare that this research is my own, unaided work, except as indicated in the acknowledgements, the text and the references. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of Witwatersrand, Johannesburg. It has not been submitted before, either whole or in part, for any degree or examination at this or any other university.

Signed ……………………………………………………………………

Nonhlanhla G. Nkambule

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DEDICATION

This work is dedicated to my husband, Bonginkosi Nsingwane, who has been an inspiration and role model to me. He has unselfishly supported me both financially and emotionally .Thank you for believing that I can swim against the tide, I thank you Gwazela, Mshika.

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CHAPTER 1: Introduction

1.1 Introduction

The purpose of this study is to establish the factors influencing individuals' propensity to start their own businesses.

Small, medium and micro enterprises (SMMEs) have long been seen as important in the economic development of a country as they are perceived to play an important role in poverty alleviation through the creation of jobs (Akhtar 1999; Baumol 1968).

In recent years, the field of new business start-ups has been the subject of increasing interest and as a result, increasing research activity. One of the main reasons behind this development is the fact that business start-up activities are increasingly being recognized as essential determinants of economic growth and wealth (Cromie 2000). There is an increase in research activity on entrepreneurship. This is to target microeconomic growth and ultimately to stimulate interest and increase the number of people interested in start-ups to stimulate as much entrepreneurial activity as possible, as well as to ensure that they survive and grow (Frank *et al* undated).

The crucial role played by the small, medium and micro enterprises (SMMEs) in spearheading economic development by creating jobs has increased government interest in providing structures that will promote the operations of the SMMEs. In terms of the statistics on SMMEs, Berry *et al* (2002) submit that it is difficult to estimate the exact number of small business in South Africa. They further point out that research bodies such as Ntsika and Statistics South Africa have provided figures that are not identical because they are based on different criteria and measures. An estimate of between 1.6 and 3 million SMMEs in South Africa between 1999 and 2000 (Berry *et al* 2002) was made.

In South Africa, the national government, in an attempt to provide favourable conditions for SMMEs to operate, has recently formulated support structures both through and initiated by the Department of Trade and Industry (DTI), including research bodies such as Ntsika and Khula, to formulate SMME strategies and offer other facilitating mechanisms (Berry *et al* 2002). As well as assisting with strategic issues, these structures also provide advice on financing of the SMMEs and provide mentoring for the SMMEs.

Since it is clear that governments' focus on increasing the growth of the SMME sector to spearhead economic development and address the inequalities in the economy (Berry *et al* 2002), an examination of the factors that influence entrepreneurs to start their own businesses and those that hinder them from doing so may be of value to potential entrepreneurs.

Based on the recommendations by Orford (2005), the study will highlight factors that stimulate and those that inhibit the entrepreneurial spirit. This will be of benefit to different groups in the following ways;

- For government, it will help in formulating and creation of support structures that are favourable to the operation of the entrepreneurs including women (DTI, A Special Report 2005).

- Existing entrepreneurs will stand to benefit from government intervention through a reduction in burdensome regulations and entrepreneurial education (Orford 2005). This may be in a form of business training, which will help them improve their present position.

- Educators will be able to identify areas for improvement in their curricula that will improve the quality of education in national schools and universities. Hopefully this will strengthen entrepreneurial education and enable entrepreneurs to better manage their businesses (The Wits Business School Journal 2007). An educational focus is also likely to transmit a message of the importance of entrepreneurs in the South African economy and stimulate an entrepreneurial spirit in students (Berry *et al* 2002).

- Potential entrepreneurs stand to benefit from government support in the form of entrepreneurial training and mentorship, an enabling environment for their business activities, burden-free regulations and business confidence supported by social and economic networks (Orford 2005).

1.2 Statement of the problem

The study seeks to establish factors that influence individuals' propensity to start their own business in the current South African context.

1.3 The importance of entrepreneurship in South Africa

It has long been recognised that small enterprise are the vehicle to economic development. This is due to their contribution to the economy as job creating entities and in the process contributes to the reduction of unemployment and ultimately poverty. The South African Government has shown a commitment towards growing entrepreneurs in the country by formulating a strategy that has the objective of promoting entrepreneurship in the country. The driving force is by stimulating people to start their own business, address the needs of small and micro-enterprises in high growth sectors and amongst historically disadvantaged individuals; namely blacks, women, the youth and the disabled (DTI 2005). This strategy has emerged with three strategic objectives;

a) Promoting entrepreneurship by strengthening the awareness about its critical role in the economy,

b) Creating an enabling environment and

c) Enhancing the competitiveness and capabilities at enterprise level (DTI 2005).

The literature review on factors that influence and inhibit entrepreneurs from starting their own businesses is rich. The analysis of these factors is of significance for policy formulation, for educators, existing and potential entrepreneurs and mentors. “In a growth conscious world, I remain convinced that encouragement of the entrepreneur is the key to the stimulation of growth” (Baumol 2001: 65 and 71).

Crucial considerations related to governments’ interest in the stimulation of entrepreneurship is the fact that the small firms are net creators of jobs and that small enterprise exert a disproportionate positive effect on increase in total national employment (Gibb 1987, cited in Bennett 2006). The flexibility of the labour market with consequent job changes and regular period of unemployment or many workers has induced large numbers of people to aspire for self employment (Bennett 2006).

Lack of business skills coupled with fear to take risks has been cited as the highest barrier to start up businesses. It is not doubtful that a lot has to be done to stimulate entrepreneurship. There is a need to try to learn how one can stimulate the volume and intensity of entrepreneurial activity (Baumol 2001).

The second chapter begins on a discussion by looking at the theories of motivation by different scholars and proceed to share both similar and contrasting arguments on what and what may not motivate entrepreneurs to start their own businesses. The discussion follows a three fold approach to the factors; psychological, non-psychological and environmental factors.

1.4 The significance of the study

“Small, medium and micro-sized enterprises (SMMEs) continue to play a vital role in the South African economy, especially when it comes to job creation and black economic empowerment” (DPRU Policy Brief Series, 2007:3).

Dana (2006) echoes the importance of small enterprises as they fill a gap by excelling in niche markets where large firms and multinationals may find it costly and uneconomical to operate in. SMMEs are considered the driving force of economic growth and development, creating jobs and generally increasing national productivity (Heilbrumm 2004).

“It has long been recognised that the entrepreneurial function is a vital component in the process of economic growth” (Baumol 2001:65). Particularly in the South African economy, the encouragement of entrepreneurship is a good job creation strategy for government. New ventures create jobs and increase tax revenue and at the same time alleviating the problem of unemployment and contributing money to treasury (Kao *et al* 2002). The findings of this research may be of interest to government to support the formation of policies to promote entrepreneurship and foster economic growth.

The study will fill a gap in the literature to the benefit of different stakeholders:

- **For Government**

The role that entrepreneurs play in driving economic growth cannot be over emphasised (Orford 2005), as they are seen as job creators, contributing to economic development. If they are nurtured and their numbers increased, they will potentially have a positive impact on poverty alleviation. Most importantly, entrepreneurship through the generation of jobs will mean more revenue for government that is collected through various taxes including VAT. Research has emphasised the fact that in order to reduce unemployment, every government has to play a role in the growth of entrepreneurship (Bosma and Harding 2006). Their role is to reduce burdensome regulations that impinge on entrepreneurs starting their own businesses, create an enabling environment, and motivate the establishment of companies and business in the region (Becker 2003). The study will also help government in planning the effective policies (especially the education policy, entrepreneurial training) in order to increase the supply of people capable of starting their own businesses (Orford 2005; Berry *et al* 2002).

- **Educational Institutions**

The director of business banking in Standard Bank, Nikki Kearns, commented that those groups that were denied education are less likely to possess entrepreneurial activity (Leornadi 2006). Furthermore, literature has shown that education is a critical factor in entrepreneurship and job creation, and that "it is the responsibility of socially conscious organisations to further the availability of the necessary knowledge for business growth" (Leonardi 2006). One survey led to "an important finding that people in South Africa do not believe that they have the skills and experience and knowledge to start a business and that only a small number of people believe they are capable of starting a business" (Orford 2005:5).

National schools are therefore called upon to introduce and encourage an entrepreneurial spirit to people at a young age. This involves including entrepreneurship in the curriculum and the courses that they teach at school. By continuing educational offerings in entrepreneurship at university level, including at business schools, skills will continue to be built.

This study will highlight the areas and the skills that influence entrepreneurs to start their own businesses with the intention of helping business schools to provide those skills that are most crucial in influencing or fostering the spirit of entrepreneurship. In research conducted by Louw *et al* (2003), the findings revealed that risk-taking as a trait is poorly developed in individuals, yet it is important in entrepreneurship. They suggest that business schools should teach students to take calculated risks and establish the viability of potential ventures. Furthermore, their findings revealed that "technical skills, taking initiative, using outside resources and communication ability are all skills that need to be encouraged and developed. By adapting curricula and implementing practical initiatives students can be given the opportunity to develop these skills" (Louw *et al* 2003:7).

The study will also help educational institutions play a role in stressing to the students, through the curricula, the importance of the development of entrepreneurial skills and valuing of establishment of their own businesses (Becker 2003). Furthermore, schools and universities will be able to create various programs that will educate and train entrepreneurs, which in turn will attract more resources to the universities and schools (Becker 2003).

- **Potential entrepreneurs**

They will benefit from this study in the form of education and support structures that will build their confidence and put them into a position to take the step into self-employment. Nabi *et al* (2006) submit that support structures and resources (in the form of role models and family involvement in start-ups) are likely to influence start-up decisions through perceived attractiveness to business start-up facilitated by the use of entrepreneurial role models (Nabi *et al* 2006). Establishing networking structures and utilising support institutions will aid them to appreciate their potential contribution to the economy and motivate them to start their own businesses, but may have previously lacked the courage or skills to do so (Nabi *et al* 2006).

- **Existing entrepreneurs**

They will benefit from the literature especially about entrepreneurial support institutions. If government does improve the regulatory framework for businesses and extends support in the form of strengthened management capacity, existing entrepreneurs will be able to increase the competitiveness of their enterprises (Orford 2005, Barry *et al* 2002).

- **For women**

Research has indicated that banks tend to perceive women as less entrepreneurial and that this disadvantages them in obtaining capital for business start-ups (Buttner and Rosen 1988 cited in Brindley 2005). This study will highlight the need for dedicated policies and support initiatives which recognize specific forms of gender disadvantages and assist women in negotiating this challenge as far as possible (Marlow and Parton 2005). It is an objective of this study to highlight to government that they should pay more attention to "women's entrepreneurial development and place greater emphasis on funding women entrepreneurs in South Africa" (DTI, A Special Report 2005:13).

1.5 Assumptions

The following assumptions have been made with regard to this study:

- The respondents will be able to understand and respond to the questions asked in the questionnaire.
- The respondents will have had exposure to entrepreneurship in some form, whether by association, exposure, training, etc.
- The respondents will be able to articulate the factors that influence their decisions as to whether or not they should go into their own businesses.

CHAPTER 2: Literature Review

2.1 The entrepreneurial context in South Africa

Statistics South Africa (2006) reported a slight decline in the unemployment rate from 26.5% to 25.6% in March 2006.The gender distribution is such that 'in South Africa men are 1.7 times likely to be involved in entrepreneurial activity' (DTI, A Special Report 2005:12). In fact the entrepreneurial rate for men in 2002 sat at 8.1% compared to that of women at 4.9% (DTI, A Special Report 2005). Sadly, this indicates that 'men are twice as likely to be involved in opportunity entrepreneurship as women" (DTI, A Special Report 2006:13). This is because South African women face gender constraints like in any other part of the world. Women entrepreneurs in South Africa are affected by a number of factors like social cultural barriers, educational barriers and access to finance and lack of information to exploit opportunities. Women find themselves clustered in low paying jobs, which contribute to female poverty. Statistics show that 42% of women earn between R1 to R750 per month (DTI, A Special Report 2005).

The findings by Orford (2005) report indicated that South Africa has a low Total Entrepreneurial Activity (TEA) at 5.4 % (Orford 2005). This included both informal and formal entrepreneurial activity. In South Africa, the demographics are such that men and people between the ages of 35-44 are more likely to start their own businesses than women and people younger than 25 and older than 44 (Orford 2005). Whites are more likely to be in business than blacks. Whites tend to be more educated than blacks and blacks tend to be placed in rural places (Orford *et al* 2004) where business opportunities are slim.

Results of a survey by Orford *et al* (2004) reveal that in South Africa a few people believe that they have the skill; experience and knowledge to start a business. This indicates the need for government to foster the entrepreneurial spirit through the support of start-up ventures as this may attract more people into entrepreneurial activity. The big challenge and the solution for South Africa is to increase the black population that completes secondary school and the proportion of people that believe that they have the skill, experience and knowledge to start a business (Orford 2005).

In order to stimulate entrepreneurship activity in South Africa, Bosma and Harding (2006) were asked to give their views on which factors inhibit entrepreneurial activity and what policies would help the entrepreneurial spirit. The outcome reflected that it would be important to improve the level of education and training to increase the propensity of people to start their own businesses. The regulatory environment was highlighted as a hindrance to entrepreneurial activity, reducing compliance costs was recommended. In addition, improved access to finance and restructuring the way government lends support to small businesses (Bosma and Harding 2006) was recommended. Berry *et al* (2002) point out that government support has failed because it does not reach people and in most cases, people are not aware of the support structures. These and other factors identified from the literature will be explored more in the pages to follow.

2.2 Definition of Entrepreneurship

Over 25 years ago, there did not appear to be any generic or universal definition of entrepreneurship (Brockhaus and Horwitz, 1986). However, more recently, a number have been offered by various authors. Herbert and Link (1982), offer an economic definition of entrepreneurship, in which profit is the primary stimulant for the entrepreneur to undertake in entrepreneurial activity. They see the entrepreneur as an economic agent who is motivated by profit and needs to be assured that they can keep profits that they acquire. For this to happen, certain institutional practices in the market economy will tend to encourage a high level of entrepreneurial activity, these include among others, an open market that guarantees equal opportunities and ownership of property legally acquired.

However, although profit is important to the entrepreneur, it is not seen as a sufficient condition for entrepreneurial activity (Herbert and Link 1982). This suggestion is supported by Kao *et al* (2002), who suggest that entrepreneurial activities need to benefit society and to a certain extent provide a value adding service to society. Furthermore, the activities must operate within the framework of the law. They add that this spirit can be cultivated through family businesses, large corporate entities, not for profit organisations, government as well as the home environment. Entrepreneurship is not only seen as an individual wealth creation endeavour, but it is a contribution to society as a whole. Thus entrepreneurship is analysed at both micro and macro level (Kao *et al* 2002).

In Herbert and Links (1982), the definition an entrepreneur is that of an economic agent, while Kao *et al* (2002) see the entrepreneur as the creative and innovative agent with a desire for ownership and the right to make proprietary decisions. The commonality in these definitions is the right to ownership, which is also enshrined in Herbert and Links' (1982) work. The notion of creating new ventures echoes the words of Timmons (1994) who stresses that entrepreneurs should be creative and innovative in creating new businesses. Innovation is something that organisations need in order to create competitive businesses. In the words of Shane and Venkataraman (2000), entrepreneurship is an activity that involves the discovery, creation and exploitation of opportunities aimed at the introduction of e.g. new goods and services, new ways of organising or new processes. The latter definition will incorporate the process model of entrepreneurship and indicate how factors affecting decision-making may apply at different stages of the entrepreneurial process.

Social entrepreneurship is also receiving much attention. By definition, social entrepreneurship refers to businesses that are started for purposes of serving their mission, which in most cases involves providing a service to society without generating a profit. These businesses are mostly referred to as not-for-profit organisations (OCD Report 2005). Non-profits, like any other venture, take risks by starting a business. However, the OCD Report (2005) raised concern about this and suggests that planning and thorough assessment of similar enterprises should be done to minimise these risks.

Kao *et al* (2002) adopted a definition that is concerned with wealth creation for the entrepreneur whilst also adding value to society. The wealth is not necessarily money but could be recognisable value by society (Kao *et al* 2002). The authors make a point of disassociating criminal activity, stating that they cannot be classified as adding value because they destroy their customers. Therefore crime is excluded from their definition of entrepreneurship. Since their definition is concerned with adding value, they tend to include not-for-profit organisations as entrepreneurial because they add value to society. The notion of value creation is also emphasised by Thompson (1999) who observes that entrepreneurs add value by selling their ideas to the customers through the creation of products using the marketing process.

According to Timmons (1994), entrepreneurship is the creation and building of wealth and value from very little. He believes that entrepreneurs should be opportunity-seizing individuals and this should be regardless of their control over resources. Embedded in his definition is the notion of vision, passion, commitment and motivation to transmit this vision to other partners, stakeholders, employees, customers, and financial backers (Timmons 1994).

Greve and Salaff (2003) define an entrepreneur as someone who launches, manages and assumes risks of an economic venture. Timmons (1994) concurs with this definition and adds that entrepreneurs recognise and seize opportunities, individuals who create value for owners, stakeholders and all participants**.** He further asserts that entrepreneurship involves a willingness to take risks, both personal and financial, but in the calculated way that results in shifting the odds of success, balancing the risk with a potential reward. Timmons (1994) further defines entrepreneurship as the raw start up of a company, based on an innovative idea that develops into a high growth company and household name.

For purposes of this study, Timmons' definition has been adopted, as it accommodates all the components of other definitions, wealth creation for the individual which appears in other definitions as profit, it also includes innovation and adding value to society in the form of providing a value adding service.

2.3 Introduction to factors that influence entrepreneurial propensity

The main focus is on factors that influence individuals' propensity to start their own businesses. These will fall into three major categories; non psychological, psychological, and environmental factors.

2.4 Non-Psychological Factors

2.4.1Social networks

Arenius and De Clercq (2005) are of the view that the reason why some people will be exposed to new information and therefore perceive entrepreneurial opportunities results from the different structure of the network they are embedded in. They strongly believe that opportunities arise from the individuals' differential access to information through the value of the information they receive and are exposed to.

The information is gained through interaction with different people who in turn are linked with others and that network characteristics affect the availability, timing and quality of information access. The notion of weak ties and strong ties is very important in describing the flow of information. Weak ties appear to be of strength based on the belief that new information is more easily available or obtained through casual acquaintances (weak ties) than through close personal friends (strong ties).Furthermore, they make the observation that strong ties tend to have high maintenance costs and tend to limit the number that one can have whereas it is possible to have a many weak ties (Arenius and De Clercq 2005). Based on this information, the authors are of the view that the perception of "entrepreneurial opportunities requires new information and that individuals who have weak ties are more likely to perceive entrepreneurial opportunities" (Arenius and De Clercq 2005:251).The spotting or perception of entrepreneurial opportunities can be attributed to networks rich in structural holes.

"Individuals embedded in more cohesive networks would be more likely to generate opportunities for the new business creation compared to individuals who belong to less cohesive networks" (Arenius and De Clercq 2005:251).These authors present an argument that differences among human capital are also important in opportunity recognition. However they are of the view that human capital affects the overall exposure to network contacts.

Social networks are considered the engine of opportunity recognition for the entrepreneurs as they provide a link between the entrepreneur and the opportunity (Arenius and DeClerq 2005). They provide information and advice to new starters which in a way may reduce transaction costs (Lee *et al* 2005). Additionally, social networks serve as a point of reference and mentors in other cases, reduce search by using their personal connections and ultimately reduce the risk of newness to the field as they receive coaching from the existing entrepreneurs who act as role models (Frank *et al* undated).Emphasising this point, Orford (2005) observes that people who know an entrepreneur are four times likely to start or run their own businesses. The same view is echoed by Bloodgood *et al* where he states that social interaction provides additional incentives for the individual to be involved in start-ups for example, entrepreneurs use their networks for validation, assurance and other economic incentives. It therefore follows that lack of prior knowledge of other entrepreneurs may work against a new entrepreneur starting a new business because they will miss out on the potential benefits that come with prior knowledge of entrepreneurs (Lee *et al* 2005).

Research has shown that a gender biased network can be an inhibiting factor to new venture development. Women tend to network within their gender network which has robbed them access to information about business ventures which are still male dominated. Having one strong network may be necessary but not sufficient for successful business launching (Bloodgood *et al* 1995). A static network can be detrimental to the development of a venture.

Some scholars have actually proposed that entrepreneurs should have both weak and strong ties. Weak ties have been credited for the diversity of information that will help the entrepreneur in certain cases. These benefits may range in the region of product ideas, gaining access to technology, transforming existing technology, locating capital and collecting market demand. For example, entrepreneurs use their networks for validation, assurance and other economic incentives. Close ties have the benefit of developed trust which in turn enables members to be provided with positive references and give access to a bigger network of customers outside of the existing network (Bloodgood *et al* 1995).

In Germany social networks at personal and professional level provide the influence to start-ups. There is a special incentive for people who create their own jobs. They are given training in areas that include advertising, marketing and many others. After being entrepreneurs for 60 months they are given financial benefits which are meant to reduce the risk of venture failure within the first five years (Dana 2006).

In the case of South Africa, existing literature asserts to the fact that both emerging and established SMMEs show little awareness of existence of support initiatives (Berry *et al* 2002), so the (DTI 2005) sought out to increase the awareness of the support services and how these could be utilised by entrepreneurs to meet their particular needs (DTI 2005). However, Berry *et al* (2002) point out that while on the one hand SMMEs lack trust in external agencies, on the other hand, the problem lies in the fact that most agencies have failed in making SMMES aware of their existence (Berry *et al* 2002).

2.4.2 Income

Evans and Leighton (1989) argue that people with poor wages, unemployed and lowly paid and those that have changed employment several times have a high propensity to venture into self employment, all else equal. They further submit that this switch will tend to decline with current wage earnings but may increase or decrease depending on the level of education and experience but these will depend on whether these characteristics are more important to self employment and wage work.

In some cases, entrepreneurs are pushed into self employment due to absence of satisfactory work conditions (Bosman and Harding 2006).

Negative environmental factors like job dissatisfaction, unemployment and desire for autonomy push individuals into becoming entrepreneurs (Giland and Levin, 1986 cited in Segal *et al* 2005). Research done by Dana (2006) in Belgium indicates that people are driven into self-employment as a means of survival after a recession. Fritch and Schmude (2006) concur with this view adding, "unemployment often acts as a push factor for building a new business" (Fritsch and Schmude 2006:18).

2.4.3 Education

Human capital plays a role in stimulating entrepreneurship pertaining to one's access to information necessary to discover opportunities in the market place (Shane 2003).Education and work status have been cited as the two most important dimensions of human capital that influence access to network opportunities recognition (Evan and Leighton 1989). Arenius and De Clercq (2005) are of the view that an individual's education plays an important role in explaining the discovery of opportunities or new ideas. They further reason that education may provide knowledge that is complementary with the new information included in entrepreneurial opportunities and therefore enhance opportunity recognition. Highly educated people have a broader knowledge base to draw from and thus a higher likelihood that they can relate this knowledge to potential entrepreneurial opportunities (Cohen and Levinthal 1990). Education gives people self confidence to posses the capabilities to come up with good ideas for new venture creation (Arenius and De Clercq 2005).

There is wide debate levelled by different scholars on whether entrepreneurs are born or if education is a factor that influences people to start their own businesses. Kolvereid and Moen (1997) submit that in addition to certain anchors, education can in a way stimulate individuals to engage in entrepreneurial activity. A study conducted by (Schein 1993 cited in Kolvereid and Moen 1997), identified two anchors that may be linked to business start up and self employment. These are;

a) Creativity and entrepreneurship and

b) Autonomy and independence.

Their conclusion is that there is a high chance that education may be an influential factor in starting a new business. In addition to this, Kolvereid and Moen (1997) point out that education in entrepreneurship will not only increase new businesses but also improve the quality of businesses that are started.

Furthermore, results of a survey done by Frisch and Schmude (2006), led them to the conclusion that students who participate in entrepreneurship courses are more sensitized to activities at their university and to considering an entrepreneurial career. The occupation of students with the subject has proved to largely influence their decision to start their own businesses.

The propensity of students to start their own businesses in an environment where entrepreneurship is taught is high. This is evidenced by empirical research done by Garavan and O'Cinneide (1994) wherein out of 755 participants, 316 ventures were started and they created 2665 jobs. This led the researchers to the conclusion that there is a relationship between education and entrepreneurship (Garavan and O'Cinneide 1994).

However, Kao *et al* (2002) do not see education as an integral ingredient to entrepreneurial propensity. They argue that it is not education that is important but an individual's contribution to society. To them a business entrepreneur does not necessarily need a higher education or degree. Their argument is that, there is actually plenty of evidence to the effect that the most successful entrepreneurs have not had access to a higher education. Gartner (1990) is of the same view as he clearly states that he believes that the attributes that entrepreneurs have are natural and therefore cannot be taught or learned. He believes that entrepreneurs have special talents and skills which give them a sixth sense for business and these cannot be acquired through education or teachings. In a survey that he did wherein he sought to establish which attribute was considered as most important for entrepreneurship, the results showed that the desire to create a new business is the most important (Gartner 1990). Becker (2003) shares a slightly different view from this as he states that "nevertheless studies show that the development of entrepreneurial attributes or characteristics and skills may be obtained through education and training process" (Becker 2003:16). Fritsch and Schumde (2006) see education as key in operating a successful business and therefore expect a relationship between higher education and business start ups.

Lintji and Frankie (2002) also see education as an influential factor in the starting of a business. They argue that business schools have to adopt certain factors to foster an entrepreneurial spirit. These include among others; creation of an atmosphere that inspires graduates to develop ideas for new ventures through exposure to role models of entrepreneurship; selection of students should be based on a personality structure and attitude towards entrepreneurship (Breckhaus & Hortwitz 1986). Stimulating activities should focus on students with a propensity to take high risks.

The findings of research by Bosman and Harding (2006) in South Africa have indicated that education plays a positive role in developing an appropriate skill base for an entrepreneurial country. The outcome of entrepreneurial education is increased business confidence, increased desire to start one's own business, and a desire for learners especially blacks to pursue higher education (Orford 2006).

Furthermore, Henry *et al* (2005) feel that business schools and universities have a role to play in influencing entrepreneurial attributes from an early age. Taking a closer look at the contribution of business schools to the development of entrepreneurship; (Sheperd and Douglas 1996; cited in Henry *et al* 2005) argue that most educators tend to teach logical thinking instead of entrepreneurial thinking, and that such an approach may lead to incorrect and unworkable answers.

Academic institutions have to adopt a curriculum that will stimulate students to start value added new ventures. These institutions have to seek ways of improving the way they teach entrepreneurship with a focus on enhancing entrepreneurship (Jack and Anderson 1998). Universities need to have strength in developing or producing reflective practitioners. As Jack and Anderson (1998:111) put it,

> ”we consider reflective practitioners to be individuals who through their knowledge and critical ability, are capable of not only starting new business, but also ensuring the continuing viability of business by enhancing the capacity for them to develop through a richer

> understanding of the entrepreneurial process. In addition to small business development, these abilities will be transferable to new project creation and entrepreneurship within large businesses. Accordingly, the graduates will be fit for an entrepreneurial career".

Summarising the results of a survey conducted by the University of Arizona, Becker (2003) outlines the following as advantages of teaching entrepreneurship in universities;

Education in entrepreneurship results in more businesses being formed and successful ones compared to those who have not received education. In salary term, those that have been exposed to entrepreneurial education were paid more than those that have not, an average of about 27%; those exposed to entrepreneurial education tend to be more innovative in creating new products and improving existing products and thereby increasing the competitiveness of their businesses (Becker 2003).

Bosma and Harding (2006) identified education as crucial in the attempt to grow the number of entrepreneurs in South Africa. In a pilot study undertaken on evaluating a venture programme, the findings were that learning in entrepreneurship increases the pupils' confidence to start their own businesses, increases their knowledge to understand the operations of a business, and cultivates the desire to undertake higher education (Orford 2005).

2.4.4 Previous working experience

Prior information that has been developed through previous experience has also been identified as a motivator to the exploitation of opportunities. Presumably, such information reduces the cost of opportunity exploitation. The transfer of the information from one person to the other also plays an important role especially because learning reduces costs of exploiting the opportunity.

Being employed in an entrepreneurial environment is said to have an influence on the individuals' propensity to start up a small business. This is because they come to appreciate the advantages of small business management and therefore aspire to be entrepreneurs (Nabi *et al* 2006).

However, in a survey conducted, Evans and Leighton (1989) found that there is no relationship between age and labour market experience with entrepreneurship. They further observe that the probability to switch from employment to self employment diminishes with an increase in wages. History shows that a lot of women lack the relevant work experience due to the past discriminatory cultural beliefs that segregated them from work disciplines viewed as a mans' domain. This has resulted in women lacking proper work experience. This has become an inhibiting factor for women when starting businesses. In a survey undertaken by Heilbrunn (2004), women were asked to rate difficulties that they met in earlier stages of venturing; the outcome was that the highest rating pointed to lack of management experience and business experience (Heilbrunn 2004). Mintzberg (2003) on the other hand presents a contrasting view arguing that education increases the chances of employment rather than the start-up rate.

2.4.5 Career experience

A persons' work status affects the likelihood to be exposed to a wider set of knowledge and thus to perceive opportunities for business creation (Arenuis and De Clercq 2005).The workplace may provide a conducive environment for people to spot opportunities in their own or contiguous industry, it also forms the basis for breeding social networks based on professional oriented relationships which may otherwise not be realised outside of the workplace thus increase opportunity recognition.

Prior information that has been developed through previous experience has also been identified as a motivator to the exploitation of opportunities. Presumably, the transfer of such information facilitates learning thus reduces the cost of opportunity exploitation.

Employment in an entrepreneurial environment may have an influence on the individual propensity to start a small business. This is because they come to appreciate the advantages of small business and therefore aspire to be entrepreneurs (Nabi *et al* 2006).

2.4.6 General business experience

Shane (2003: 95) places emphasis on the fact that “career experience provides a source of information and skills useful to the pursuit of opportunity”. Sadly, the findings of Heilbrunns’s (2004) study reveal that most women tend to have administrative skills as they are placed at lower levels of the organisation as opposed to man whom in most cases find themselves managing employees. Such a situation has resulted in women lacking financial and managerial skills that are needed in business start-up. The results of the survey further reveal that women find it problematic that they are not exposed to managerial positions at work. They feel that they do not have the financial and managerial skills and yet these are needed at the start up phase. The recommendations of the study were to the effect that “national and international supporting institutions fostering the creation of new ventures by supporting and encouraging entrepreneurs should consider investing much thought and resources in concentrating efforts dealing with those factors that are perceived by entrepreneurs as problematic during the start- up process” (Heibrunn 2004:164).

2.4.7 Exposure to family business

Klandt (1993) submits that exposure to family business serves as a major influence to individuals becoming entrepreneurs. He further states that these people may have had exposure to the advantages that entrepreneurship offers. Kao *et al* (2002) concurs with this view adding that “the same entrepreneurial drive may be cultivated, nurtured, supported and developed in the family business, large corporate entities, not for profit organisations, government and indeed the home environment" (Kao *et al* 2002:43).

Shane (2003) submits that skills needed for the exploitation of entrepreneurial opportunities can be learnt through observing of others. Parental background has a stronger influence on entrepreneurial propensity than the knowledge and skills acquired by students from classroom learning (Minks 1998). Most researchers are of the view that children of entrepreneurs should be more likely to exploit entrepreneurial opportunities than other people. The exposure to their family business enable them to observe their parents effort to exploit opportunities, the children gain tacit knowledge to engage in entrepreneurial activity (Shane 2003).

2.4.8 Management capability

Timmons (1994) observed that the success of a business venture is largely dependent on a good team of people. The team is considered the driving force of the entrepreneurial process. The management team is crucial for the chances of survival and growing the venture into new ventures. In other words the growth and prosperity of the venture depends upon the management team. A good management team has the ability to attract venture capitalists that are willing to finance the growth thus offloading the burden of labouring to get finances (Timmons 1994).

However, this seems to be the weakness of entrepreneurship in South Africa as a lot of literature alludes to the fact that the high failure rate of the SMMEs especially in the South African context is largely due to lack of managerial capacity of entrepreneurs. Balkenhol and Evan-Klock (undated) have alluded to the fact that the lack of education and exposure to management experience has a negative impact on the management skill of the entrepreneurs (Balkenhol and Evan-Klock undated).

2.4.9 Start- up experience

Prior experience in starting a business also increases the likelihood that a person will exploit an entrepreneurial opportunity. Much of the skills needed for starting a venture are learnt through doing. Starting a business arms the person with the practical experience of starting a business which may increase the propensity for people to start a new venture. Start up experience helps provide hands on experience which increase ones' confidence in starting a business; it provides tacit knowledge that facilitates making decisions about entrepreneurial opportunities under uncertainty and time pressure and the skills needed for entrepreneurial performance (Shane 2003).

2.4.10 Success in other endeavours

Kao *et al* (2002), are of the view that people who have been successful in other business endeavours are more likely to want to start a venture. This is with the intention of wanting to realise an almost impossible dream like in the case of Bill Gates. They also submit that there are also people who are motivated by the spotting of an opportunity and they found themselves starting a business (Kao *et al* 2002).

2.4.11 Informal institutional factors*.*

The presence of role models is seen as playing a crucial role in influencing entrepreneurs to start their own businesses and even extends to other stages of entrepreneurship (Driga *et al* 2005).

Exposure to role models enables the upcoming entrepreneurs to be constantly exposed to people who create a positive image of start ups and entrepreneurship and ultimately infuse a spirit of entrepreneurship on the individual (Frank *et al* undated; Kolvereid and Moen 1997). Orford (2005) further makes an observation that people who know an entrepreneur are four times likely to be starting or running their own business.

2.5 Psychological Factors and the decision to exploit entrepreneurial opportunities

Scholars like Shane and Venkataraman (2000) have submitted that the willingness by an entrepreneur to exploit an opportunity stems from an individual trait. For example research undertaken by Segal *et al* (2005) led them to conclude that desire for self employment; self efficacy and risk tolerance are the drivers of stronger intentions for individuals to become entrepreneurs. Lee *et al* (2005), Nabi *et al* (2006) and Vecchio (2003) echo this view by adding that individuals who consider themselves more capable of performing entrepreneurial roles or have strong beliefs in self efficacy are more likely to engage in activities associated with start ups. An examination of some psychological traits is therefore relevant in this section.

2.5.1 Need for achievement

Entrepreneurs differ from other groups in that they have a thriving force to achieve positive results and create wealth for themselves. Literature suggests that individuals with a high need for achievement tend to have entrepreneurial behaviour (Koh 1996; Vecchio 2003; Nabi *et al* 2006).

2.5.2 Attitude to risk

Entrepreneurs have been defined as people that are not afraid to take risks. Mintzberg (2004) defines entrepreneurs as individuals that have the potential to take uncalculated risk, the absence of which erodes the definition of which entrepreneurs are. Entrepreneurs by the nature of their economic activity cannot be risk averse. As Timmons (1994) observes, they are people who see opportunity in chaotic situation and this goes to show how risky that could be. By their very nature of being confident, such a state drives them to venture into activities with unknown consequences which by their nature can be described as risk. Linked to this is their tolerance to ambiguity. Mintzberg (2005) and Vecchio (2003) have a similar view as they view entrepreneurs as risk takers, the absence of which erodes the traditional definition of entrepreneurship.

2.5.3 Tolerance for ambiguity

Gurol and Atsan (2006) define tolerance of ambiguity as;

"An individuals orientation towards taking chances in a decision making state" (Gurol and Atsan; 2006:30).They submit that entrepreneurial managers are believed to tolerate ambiguity better than conservative managers because the entrepreneurial ones face a less structured, more uncertain set of possibilities and actually bear the ultimate responsibility for decision. Entrepreneurs with a high tolerance for ambiguity are more likely to start their own businesses (Boyd and Vozikis 1994; Nabi *et al* 2006).

2.5.4 Need for autonomy and power

Entrepreneurs are pushed to self employment because they need autonomy and the desire to be their own boss. They are defined as rebellious people who cannot adapt to a working environment and are therefore forced to tailor suitable jobs for themselves. Vecchio (2003) and Nabi *et al* (2006) support these arguments and is of the view that these people feel that their personal freedom is suppressed in larger firms and the potential for entrepreneurial activity. Kirby (2004) sees entrepreneurs as people that love to be in control and that is the reason that they want to be self employed. Individualism is of value to them and they are people who dislike rules and procedures and prefer to work in an ambiguous environment (Kirby 2004).

2.5.5 Individual differences in optimism

"The decision to exploit entrepreneurial opportunity is also influenced by individual differences in optimism. People will normally perceive their returns as higher in the opportunity. They are most likely to enter industries where the economies of scale are higher and they will enter at rates higher than the equilibrium (Shane 2003).

There is also an argument that points out that in most cases, people who exploit opportunities are over optimistic about the returns or the value of the opportunities they discover (Shane and Venkataraman 2000). This over optimism leads people to search for minimal information and as a result will act before analysing the situation (Shane 2003).

2.5.6 Individual differences in perception

Individuals bear different levels of risk propensity which tend to influence their willingness to pursue an opportunity. This is evidenced in the way people frame information. Those that frame it positively tend to be more likely to pursue the opportunity compared to those that view it negatively. Arenius and De Clerq (2005) support this view adding that the difference in opinion is due to the differences in networks they are embedded in. Networks are considered the engine of opportunity recognition for the entrepreneurs and as Arenius and De Clerq (2005) put it, networks have become the greatest link between the entrepreneur and the opportunities as they are the source of knowledge about opportunities.

2.5.7 Cognitive processes

The formation of mean-end relationships becomes critical in order to discover entrepreneurial opportunities that are generated by a given change in order to discover entrepreneurial opportunities. Shane and Venkataraman (2000) argue that even if a person has prior information; such may not be useful if they are unable to see new means-end relationships.

Cognitive properties play a good role in helping people discover entrepreneurial opportunities. For one, Timmons (1994) describes entrepreneurs as people who see opportunity where others see chaos. People will vary in their ability to transform or combine existing information or concepts into new ideas. This view has been echoed by other authors who feel that entrepreneurs are more likely to see opportunities because they do not engage in counterfactual thinking, and less likely to experience regret over missed opportunities.

a) *Self efficacy*

Research undertaken by Segal *et al* (2005) led them to conclude that desire for self employment; self efficacy and risk tolerance are the drivers of stronger intentions for individuals to become entrepreneurs. Lee *et al* (2005), Nabi *et al* (2006) and Vecchio (2003) echo this view by adding that individuals who consider themselves more capable of performing entrepreneurial roles or have strong beliefs in self efficacy are more likely to engage in activities associated with start ups.

2.5.8 Cognitive characteristics

a) Self confidence

Over confidence has also been identified as a determinant of entrepreneurial propensity (Nabi *et al* 2006). However, Cromie (2000) sees self confidence as an outcome rather than a determinant of entrepreneurship. This is because most literature refers to already existing entrepreneurs as people with a high self esteem with respect to others.

b) Fear of failure

"Policy makers commonly identify fear of failure as a major deterrent factor for entrepreneurs taking the entrepreneurial plunge" (Lee *et a*l 2005:1). Due to the constantly changing environment, increasing business competition and increasing business failure and liquidations, most upcoming entrepreneurs are deterred from starting their own businesses (Lee *et al* 2005). They further note that as much as risk and uncertainty are characteristics of entrepreneurship, some entrepreneurs may not tolerate these risks and this may serve as an impediment for them in starting a business.

In most cases entrepreneurs are paralysed by fear and lack of self confidence (which is considered a pre-requisite for successful entrepreneurship) in their ability to starting their own businesses (Nabi *et al* 2006). Among the recommendations of a research undertaken by Samujh (2004), micro business operators need to be provided with educational support to cope with the fears and gain confidence to embark in business (Samujh 2004). Attracting new entrepreneurs will prove to be a challenge considering an observation made by Balkenhol and Evans-Klock (undated) that “years of restrictions and control of access to entrepreneurial opportunities (during apartheid) created a mindset focussed on wage and salaried work rather than the establishment of small businesses and entrepreneurs” (Balkenhol and Evans-Klock undated).

2.6 The Environmental context of entrepreneurship

Institutional Environment

Research has shown that the institutional environment (political, economic and social context) influences people’ desire to engage in socially productive entrepreneurial activity (Shane 2003). A fertile environment in which entrepreneurship will germinate is necessary for the exploitation of opportunities. It determines, among other things, the nature of entrepreneurship that will exist. Sometimes the institutional environment will create breeding ground for perverse entrepreneurship; a good institutional environment will promote productive entrepreneurship.

Productive entrepreneurship is affected by the institutional environment because it is amenable to the policy levers that government officials can use to influence the amount and the form of entrepreneurial activity (Shane 2003).In most cases, the institutional environment determines the direction the entrepreneurial activity will take or will influence it negatively or positively. Societal norms, values and institutional policies encourage or discourage entrepreneurial activity. These are factors that provide fertile ground to social entrepreneurship without which unproductive entrepreneurship will mushroom. The institutional environments' effects on entrepreneurship can be discussed on three levels; economic, political and social context in which entrepreneurship is found, as this influences the willingness for people to engage in entrepreneurial activity (Shane 2003).

2.6.1 Political environment

The political environment " makes it possible for people to reallocate resources to new uses in ways that either are more profitable or that redistribute wealth from one member of society to another" (Shane 2003:25). Property rights and the rule of law are major determinants of productive entrepreneurship. Issues like taxation and burdensome procedures can be seen as inhibitors that tend to be expensive for entrepreneurs as they offer bribes which in turn squeeze the profit from the entrepreneur. In South Africa for example, the realisation of democracy opened a window of opportunities for previously disadvantaged groups like blacks through the BBBEE. This was an initiative by government to increase participation in the economy by groups that had been previously excluded and create equal opportunities for entrepreneurs to partake in the economy (South Africa's Economic Transformation undated).

Political support includes the creation of changes in the industry structure and by creating new markets and changing the ways profits are made. Government is responsible for the creation and implementation of an enabling environment which is essentially about making markets work (SBP Report 2002). A catalyst to the effective operation of markets would be nothing more than an appropriate legislation, regulations and administrative requirements that do not prevent the smooth operation of markets (SBP Report 2002). These changes make it possible for a more productive combination of resources (Shane 2003:25). Government is also called upon to secure property rights and ownership which is one of the motivators for entrepreneurs to start their businesses. It also becomes necessary to combine competition and cooperation and the creation of highly flexible economies.

Subsequently, governments in most countries have recognised the need to support small businesses (Indarti and Langenberg 2004). This is because government support has been considered a necessary condition to foster SMME development. This support is usually in the form of structures that assist entrepreneurs in getting finance for their businesses, provide advisory skills for running a business and provide a regulatory framework that is favourable to the operation of small businesses (Indarti and Langenberg 2004). In the case of South Africa, government has created support structures like Ntsika and others but government support has been rendered ineffective because most entrepreneurs are not aware of the support structures and in some cases they do not utilise these institutions because they do not trust them (Berry *et al* 2002).

In light of this view, the South African government may need to come up with new strategies for providing support to small enterprises. This calls for reducing their direct support and instead focusing on facilitating business development and service market development (Orford 2005; SBP Report 2002)

In Finland for example, the government has made entrepreneurship a top priority and is highly emphasised in the educational system (Dana 2006). "In France business start-ups are facilitated by a variety of networks and incubators but the probability of survival is low" (Dana 2006:79). Some of the regulations have been relaxed to stimulate entrepreneurial activity. Employers are allowed to dismiss employees without government authorisation. Entrepreneurs are also exempted from paying social security under certain conditions. There is also a wide range of corporate initiatives, which include enabling employees to start their own business and contract to the company, the company also acts as a mentor to the enterprise and provides training and networking (Dana 2006).

While France seems to be ahead in empowering the small business sector, there is still a problem with the regulatory environment. There are still heavy tax burdens and numerous paper work and bureaucratic attempts; all these make it difficult to sustain the operation of the business in France. The result is a high birth rate that is offset by high mortality of small businesses in France (Dana 2006). The recommendations by Orford *et al* (2004) stressed the need for a more relaxed regulatory framework in France, a reduction on taxes and more emphasis on entrepreneurship in the educational system. Small businesses have grouped themselves into co-operatives as a means of survival and this seems to be a working solution at present (Dana 2006).

a) Legislative factors

- *Regulatory changes*

"Political and regulatory changes are an important source of entrepreneurial opportunity" (Shane 2003:25).These changes enable people to reallocate resources to new uses in more profitable ways or in ways that redistribute wealth among members of society. This is what Shane (2003) terms the recombination of resources. Evidence that supports this literature is mostly seen in the deregulation by government. It is not surprising therefore that in countries where the regulations are stringent; the spirit of entrepreneurship is weakened. This is supported by the author's views in this regard (Shane 2003).

Scholars have emphasised the fact that an enabling environment is crucial for the growth and start up of small businesses (Shane 2005, SBP Report 2002) Research has identified the Regulatory environment as an inhibiting factor to the acceleration of firm creation (SBP Report 2002). Macro economical stability, legislative and institutional factors and regulatory regime are vital factors that are needed to create an enabling environment. Such regulations weigh heavy on smaller firms who in most cases lack the appropriate skills like in-house specialist, and often do not have representation in policy debates (SBP Report 2002).

“International research suggests that the regulatory environment has a major influence on the survival and growth of small and new businesses” (Orford 2005:11). In South Africa, reforming the VAT system and reducing compliance costs could help encourage entrepreneurial activity. The tax application form needs to be simplified; the reduction of the compliance costs could also help encourage entrepreneurial activity. Education has been highlighted by many scholars as an important ingredient that stimulates start-ups or fosters an entrepreneurial spirit (Orford 2005).

a) Legality

In developing countries, the legal requirements make the operation of small businesses difficult and such a condition may promote perverse entrepreneurship. In most cases dealing with legal requirements has put pressure on small business operators to allocate financial resources to bribery practises. This erodes the profits of the businesses and therefore serves as a hindrance to start ups (Indarti and Langenberg 2004).

b) Freedom

Political freedom facilitates the free flow of information which is necessary for the identification and exploitation of entrepreneurial opportunities. It enables the smooth exchange of information about entrepreneurial opportunities because people are free to exchange such information. It also helps stimulate the internal locus of control which has been identified as an important entrepreneurial trait that facilitates the exploitation of opportunities (Vecchio 2003; Evans and Leighton 1989).

c) Property rights

Entrepreneurs are motivated by the knowledge that they will keep the properties that they accumulate. An environment that does not guarantee the ownership of property to entrepreneurs tends to be an inhibitor to the exploitation of opportunity.

“Property rights are defined as the rights to own and contract for assets according to an established set of rules and laws” (Shane 2003). Entrepreneurs need to be assured that they can keep the profits that they have acquired and for this to happen certain institutional practices in the market economy like an open market that guarantee equal opportunities and ownership of property acquired are necessary (Herbet and Link 1982). The legal arrangements that ensure that returns are appropriated to innovation are largely dependent on a strong rule of law therefore a political environment that has a property rights and a strong rule of law tends to encourage higher levels of exploitation of entrepreneurial opportunities (Shane 2003). By the same token, an environment with highly centralised power tends to reduce the peoples internal locus of control that has been identified as a necessary trait for the exploitation of entrepreneurial opportunities (Shane 2003).

2.6.2 Socio-cultural Environment

“The socio-cultural environment was the third dimension of the institutional environment that influences entrepreneurial activity” (Shane 2003:157). Every society has beliefs and values that inform what is a desirable and legitimate activity. The socio-cultural environment therefore influences the type of entrepreneurial activity as it is seen as desirable to society and perceived risk and returns of those activities. A society that holds positive attitudes towards entrepreneurship is likely to encourage the exploitation of opportunities by entrepreneurs (Shane 2003). As a result, a society will have more people practising entrepreneurship and therefore increase entrepreneurial role models who make a significant contribution to the strengthening of social networks which I have already identified as the information engines of entrepreneurship where potential entrepreneurs learn the activities of entrepreneurship. The socio-cultural environment therefore stimulates potential entrepreneurs to engage in entrepreneurial activities.

a) Cultural Incentive

Cultural beliefs may also encourage entrepreneurial activity (Shane 2003). Research has revealed that some people, for various cultural reasons, because of the environment in which they were raised or their family origins, have more entrepreneurial characteristics than others (Becker 2003; Boyd and Vozikis 1994). Kao *et al* (2002) and Brinley (2005) are of the view that encouraging people to be self employed will enhance the enterprising culture and increase self reliance. They further assert that a culture that supports the entrepreneurial activity will give birth to creative and innovative people that will have the desire to create opportunities for others than depending on other people to provide them with opportunities to make a living. ”For example, entrepreneurial activity is common among ethnic groups and in geographical locations where it is considered more socially desirable” (Shane 2003; 158).

Dana (2006) shares a similar view; she asserts that various cultural aspects such as social value ascribed to the entrepreneurial attitudes towards risk of failure, and the presence of exemplary entrepreneurial models are cultural factors that have an impact on the formation of entrepreneurial calling (Wennekers and Thurik; 2001 cited in Dana 2006).

However, Morrison (undated) makes an important observation to the effect that certain cultural institutions may influence and inhibit entry into entrepreneurship and “thus proposed that the culture of societies and the characteristics of people living in these societies, impacted by certain innate personality traits, will influence the degree to which entrepreneurship is initiated” (Morisson undated:62).

2.6.3 Economic environment

a) Economic growth

A well performing economy is accompanied by a demand for goods and services and raises the ability to credit which in turn encourages entrepreneurs to exploit opportunities (Shane 2003). Research has proven that most start-ups are financed through personal savings (DTI, A Special Report 2005). A good economy has results in societal wealth which stimulates the exploitation of entrepreneurial opportunities because the people can finance themselves. Financial constraints are the barrier to start-up formation. Wealth increases the propensity for people to engage in entrepreneurial activity as they are more likely to consider exploiting entrepreneurial opportunities. “In fact wealth is considered a mechanism to facilitate resource acquisition. Wealth increases demand, the availability of resources to exploit opportunity and positive attitudes toward entrepreneurship, all of which should enhance entrepreneurial performance” (Shane 2003:149).

b) Capital Availability

Capital availability influences opportunity exploitation in that by creating competition among investors that fund entrepreneurs and this competition reduces the threshold at which they lend the money. The cost of getting capital is reduced and more people are therefore encouraged to borrow money to finance new ventures (Shane 2003).

c) Taxes

Government regulations have been seen as a hindrance to start- ups (Indarti and Langenberg 2004). Taxation and other legislative hindrances like registering a company tend to be lengthy/endless procedures that in most cases involve volumes of paperwork, tend to reduce the incentive by entrepreneurs to exploit business opportunities (Indarti and Langenberg 2004).

“Internationally, the cost of compliance with the regulation is noted as a key inhibitor to small and micro and medium enterprise (SMME) development” (Chamberlain and Smith 2006:1). In most African countries, entrepreneurs face more regulatory burdens than anywhere in the world (Leonardi 2006). Most African governments are accused of imposing heavy regulations to entrepreneurs which in turn hamper their development (Leonardi 2006). South Africa ranks 28th in the region on the ease of doing business. She further argues that these heavy tax burdens tend to discourage entrepreneurs from registering their companies and in the process do not participate in the development of the economy (Leonardi 2006). In particular," tax compliance cost is one type of regulatory cost that is often viewed to have a large negative impact on SMMEs" (Chamberlain and Smith 2006:1).

In most countries the taxes are so high and tend to impact on the profitability of business ventures that do not make much profit and yet they are taxed too high. This erodes the profit margins of the small venture and in the process makes entrepreneurship less attractive. This has been said to be a huge inhibiting factor to business start ups (Shane 2003).

However, simplifying tax burdens alone is not a sufficient condition for business success, other factors need to be taken into account in order to create good environment for small business to operate, like access to finance, availability of entrepreneurship education, quality of education and availability of education through the national school system and the quality of government support (Orford, Herrington and Wood 2004).

It should be noted that increased government regulation does not always result in the demise of small firms, especially if that regulation is in support of particular firms; it leads to an increase in formation of small firms (Shane 2003; SBP Report 2002). Government regulation sometimes plays a positive role especially where it creates demand for the particular industry through the creation of support structures (Baumol 1996).

2.6.4. Resources acquisition Factors

Research has shown that a majority of small firms are financed through personal savings. It therefore follows that capital availability provides fertile ground for entrepreneurial activity. A strong economy increases demand for goods and services which are provided by the entrepreneur and therefore encourages positive attitude toward entrepreneurship" (Shane 2003:148). A strong economy may also increase the availability of credit which may also encourage people to engage in entrepreneurship Shane (2003).

a) Business plan

This is one issue that is of critical importance in the resource acquisition stage. Entrepreneurs are called upon to convince financiers that their business has the potential to generate a profit for the investors. Business plans are documents that lay out the entrepreneur's strategy for building the venture. It consists of financial statements, the business idea, the target group and the market analysis (Shane 2005).

The inability and lack of awareness by small businesses to produce a good business plan has been identified as one of the hindrances for small businesses at the start-up phase (Indarti and Langenberg 2004). Such businesses are most commonly turned down by financial institutions when they apply for financing. These institutions need a clear outline of activities that the business will engage in and how it will grow. If the plan is not correct, they will be turned down. In most cases, this tends to deter and discourage entrepreneurs from starting a business, especially those that lack the skills to prepare the business plan. Indarti and Langenberg (2004) further add that a good outline of activities manifest in a good business plan is vital to the success of small businesses and will be an incentive for others to also start their businesses.

b) *Inability to secure capital*

"Access to capital is obviously one of the typical obstacles to the start up of new businesses, not least in developing economies with weak credit and venture capital institutions" (Indarti and Langenberg 2004). Financial institutions are most reluctant to invest in SMMEs as they are perceived to be risky segments; this problem is further exacerbated by the increasing failure rate of start-ups which is prevalent both locally and internationally (Bulkenhol and Evans-Klock undated).

Kao *et al* (2002), highlights lack of finance as an inhibiting factor to start-ups. They submit that in most countries financial institutions are more willing to invest in smaller businesses but are not keen to invest in start ups mainly because of the high risk involved. Dana (2006) also observes that lack of financial support as a hindrance to entrepreneurship in Belgium.

Gender barriers when seeking for finance have been identified as a constraint for women when starting a business. As Marlow and Patton (2005) put it;
"Constrained access to appropriate funding is part of a wider system of disadvantages where woman cannot escape from the negative stereotypes which portray the feminine as inferior to the masculine" (Marlow and Patton 2005:729).

In general, literature suggests that Start-up financing in South Africa relies on personal savings and loans from friends and family (Orford 2005; DTI, A Special Report 2005). The government needs to lend support in educating small businesses proper financial management practices as this will give them a good track of managing finances and this will assist in increasing the proportion of small businesses that are successful in obtaining loans from financial institutions (Berry *et al* 2002). In a summary of the Gem report, (Orford 2005) emphasised the need for good quality education in all schools and that appropriate entrepreneurship education should be offered in schools from an early grade (Orford 2005). The survey by Orford *et al* (2004) indicated that the hindering factors, as in South Africa, for Belgians are centred on the educational system which does not encourage creativity and self sufficiency initiative and the access to finance. "Like in the case of South Africa, the proposed solution was early exposure to entrepreneurship, which might benefit the youth" (Orford 2005:58).

2.7 Summary of the literature review

The literature review suggests that factors that influence individuals' propensity to start their own business may fall into three categories; psychological, non-psychological and environmental factors. The discussion of these factors was robust and balanced, taking the different views by different scholars. From the literature review the following factors were identified in three categories and they will be mentioned with the supporting literature.

Category 1: Non-psychological factors

Literature:

Opportunity cost –	Shane (2003); Schumpeter (1934)
Social networks	Barry et al (2002) Arenius and DeClercq (2005); Lee *et al* (2005); Orford (2005); Dana (2006).
Income:	Evans and Leighton (1989)
Education:	Evans and Leighton (1989); Kolvereid and Moen (1989); Fritch and Schumde (2006); Garavan and O'Cinneide (1994); Becker (2003); Lintje and Frankie (2006); Bosman and Harding (2006); Henry et al (2005).
Previous working experience:	Nabi *et al* (2006); Heilbrunn (2004).Career experience*:* Arenius and DeClercq (2005); Nabi *et al* (2006)
General business experience:	Shane (2003); Heilbrunn (2004)
Exposure to family business:	Klandt (1993); Shane (2003); Minks (1998).

Management capability: Timmons (1994)

Start-up experience: Shane (2003)

Success in other endeavours: Kao *et al* (2002)

Informal institutions: Driga *et al* (2005)

Category 2: Psychological factors

Need for achievement: Koh (1996 ;) Vecchio (2003); Nabi *et al* (2006)

Attitude to risk: Timmons (1994); Vecchio (2003); Mintzberg (2004)

Tolerance for ambiguity: Boyd and Vozikis (1994); Gurol and Atsan (2006); Nabi *et al* (2006).

Need for autonomy and power: Vecchio (2003); Nabi *et al* (2006); Kirby (2004).

Individual differences in optimism: Shane and Venkataraman (2000)

Individual differences in perception: Arenius and DeClercq (2005).

Cognitive processes: Segal *et a*l (2005); Nabi *et al* (2006); Lee *et al* (2005); Vecchio (2003).

Cognitive characteristics: Nabi *et al* (2006); Lee *et al* (2005); Samujh (2004).

Category 3: Environmental Factors

Political environment:	Shane (2003); SBP Report (2002); Indarti and Landenberg (2004); DPRU Policy Brief Series (2007); Dana (2006)
Legislative factors:	Shane (2003); SBP Report (2002); Orford (2005); Vecchio (2003); Herbert and Link (1982)
Socio cultural environment:	Boyd and Vozikis (1994); Kao *et al* (2002); Becker (2003); Brinley (2005)
Economic environment:	Berry *et al* (2002); Shane (2003); Indarti and Landenberg (2004); Chamberlain and Smith (2006); Leonardi (2006); Bulkenhol and Evans-Klock (undated).

2.8 Research Question

What are the factors that influence individuals' propensity to start their own business in the current South African context?

CHAPTER 3: Methodology

For purposes of this paper, both the qualitative and quantitative questions were used, giving a mixed methodological approach to the study.

3.1 The qualitative research approach

The qualitative section of this paper as Leedy and Omrod (1985) observe, enables the researcher to gain insights about the nature of a particular phenomenon and reveal the nature of certain situations and lastly, allow the researcher to test the validity of the literature (Leedy and Omrod 1985). This is because the researcher is looking to understand issues and will value the opinion of people. A sample of 36 respondents was selected and administered on a convenience basis.

3.2 Quantitative research approach

This approach is useful in this research because the questionnaire requested ordinal data through the use of a five point Likert scale set of questions (Kumar 1999), which has been re-scaled using Stacey's (2005) Distribution Fitting Algorithm (DFA). This transformation converts the ordinal data into ratio data in order to give a meaningful (significant at alpha = 5%) analysis of the factors influencing individuals' propensity to engage in entrepreneurial activities. Open ended questions were included that required the respondents to elaborate on their responses.

3.3 Mixed methods

Creswell (2003) defines mixed methods as an approach that combines both the qualitative and quantitative approaches. It involves the collection of data either simultaneously or sequentially to better understand research problems. The data may be numeric or information such that the data base presents both quantitative and qualitative information (Creswell 2003). This approach is based on the assumption that collecting diverse data broadens the understanding of the research problem. The study will begin with a broad survey and end with open ended questions to get detailed views from participants (Creswell 2003).

The researcher chose to use mixed methods to strengthen the validity and reliability of the research. The data was collected in the framework of both qualitative which will in the interpretative paradigm and quantitative framework in the functionalist paradigm. Both the positivist and phenomenological approach were applied. Easterby-Smith *et al* (1999) points out the advantage of mixing methods as enabling the strength of every measure to be offset by counterbalancing strengths from another. The positivist approach owes its origin in the ground theory. It has the strength of allowing flexibility to the interviewee to voice their opinion (Easterby-Smith *et al* 1996).

3.4 Population

The population consisted of existing and potential entrepreneurs in South Africa.

3.5 Sampling Methodology

The sample was based on convenience and snowball methods (Leedy and Ormrod 2001). Individuals known to the researcher and recommendations from the primary group were also approached. The sample was purposive in the sense that the participants were selected based on their coming to “The Business Place” to do business and seek advice (Walker 1985). “The Business Place” is a SA national government initiative in partnership with Invested Private Bank aimed at offering advice and technical assistance to entrepreneurs. It is situated at Johannesburg City Centre.

The questionnaire contained open ended questions, which requires the respondents to express their experiences and perceptions in their own words. Likert scale questions will also be administered (Goddard and Melville 2001).

The open ended questions enabled the researcher to get the interviewees opinion on the research issues (Easterby-Smith *et al* 1999).The questioning followed a standardised approach. This approach had the benefit of an added degree of confidence to the replies because of the sample size (Walker 1985; Easterby-Smith *et al* 1999).

3.6 Data Collection Method

Structured Questionnaires were prepared in a standardised format with both qualitative open ended and closed ended questions, factual and opinion questions. Opinion questions have the advantage of diverse opinions as people fell free to answer in different ways (Easterby-Smith *et al* 1999). Some quantitative techniques were also included wherein some questions were answered using a Likert scale. This enabled respondents to circle one answer in a category indicating the strength of agreement or disagreement with the initial statement (Easterby-Smith *et al* 1999).

<u>Structure of the questionnaire</u>

The questionnaire first asked the demographics of the respondents, gender and race) and their business sector. This was important as per the literature review because it submitted that in terms of gender, men are twice as likely to start a business compared to women. Racially, whites are more likely to be in business compared to blacks (DTI, A Special Report 2006).

In the same section there was a general question as to whether respondents had been exposed to some form of entrepreneurial or business training and if they had started their own business. The reason was that respondents were also expected to give their opinions on what factors had influenced or discouraged their propensity to start their own businesses. This was done with the intention to get an unbiased opinion of the factors and also see whether there would be factors that would be different from those suggested in the literature review.

Part two of the questionnaire consisted of 29 multichoice questions which were drafted from the factors that emanated from the literature. The purpose was to establish any inconsistencies between the literatures and to get into the minds of the entrepreneurs to see if there would be factors that were general. This is because the literature has been drawn from diverse sources and countries. The main purpose was to establish if there would be similarities with the situation in the South African context and other parts of the world.

All the questions in the questionnaire aimed to identify similarities with the most common factors and the assumption would be that they cause or discourage entrepreneurial propensity in South Africa. This survey was conducted on 36 entrepreneurs who had gathered at “The Business Place” to attend an entrepreneurship workshop.

3.7 Implementation of the survey

The survey was conducted in August to September 2007. It involved 36 respondents who were a combination of existing and potential entrepreneurs from Johannesburg who randomly visited “The Business Place” for business advice. The questionnaire was hand delivered to the respondents as they arrived to do business and dependent on their willingness to participate in the survey.

3.8 Method of analysis

The data collected in the survey was verbal and ordinal data. Due to the nature of the data, it was impossible to use statistical analysis tools such as arithmetic mean and standard deviation. Accordingly, transformation or rescaling of the data into interval form was applied for statistical analysis. However, Stacey (2005) cautions that such a conversion does not rule out the problem of categorisation error which is introduced by categorising the responses that have a widespread of underlying values into distinct single categories.

The transformation was conducted using p-values at a 5% confidence level. Figure 4.3 demonstrates the respondents' opinion of which factors strongly influence their propensity to engage in entrepreneurial activity. Furthermore, the analysis shows in sequence, which factors are the strongest and weakest in influencing their decision to enter into their own businesses.

3.8 Reliability and Validity

To ensure reliability, the questionnaire was drafted using the split –half approach by Goddard and Melville (2001). This approach used differently worded versions of the same question and the responses were combined into one. To increase reliability, the researcher piloted the questionnaire before colleting data (Easterby-Smith 1999). This ensured that the items are easily understood and identified sensitive items (Easterby-Smith 1999). In addition, the questionnaire was constructed using input from the literature review to ensure that they are relevant to the study.

Internal Validity

For purposes of this research, the split –half reliability was employed through rephrasing the same question and comparing the answers (Bringle *et al* 2004). In addition, the researcher ensured that the statements in the questionnaire had a logical flow to the issue under study in order to strengthen the validity of the responses (Kumar 1999).The questionnaire was also piloted to strengthen face validity and content validity.

External Validity

The sample consisted of entrepreneurs from various sectors across Gauteng. The sample size consisted of 36 entrepreneurs from various sectors. Since 30 respondents are required to satisfy the requirements of the central limit theorem, some cautious generalisability can be assumed, although the sample was not selected randomly (Leedy and Ormrod 2001).

3.9 Limitations and Delimitations

a) The sample was purposive in that the respondents for the sample were actual or potential entrepreneurs known to the researcher as well as those who randomly visited “The Business Place” to seek advice on either new or existing businesses between August and September 2007.

b) The sample size of 36 was intended to improve external validity because of the non-random selection of respondents.

c) Only respondents from Gauteng were selected.

CHAPTER 4: Presentation of the Results

4.1 The demographics of the respondents

<u>The gender distribution of the respondents</u>

Out the 40 respondents, Figure 4.1 demonstrates the gender distribution of the sample; males constituting a larger percentage (64%) than females (36%).

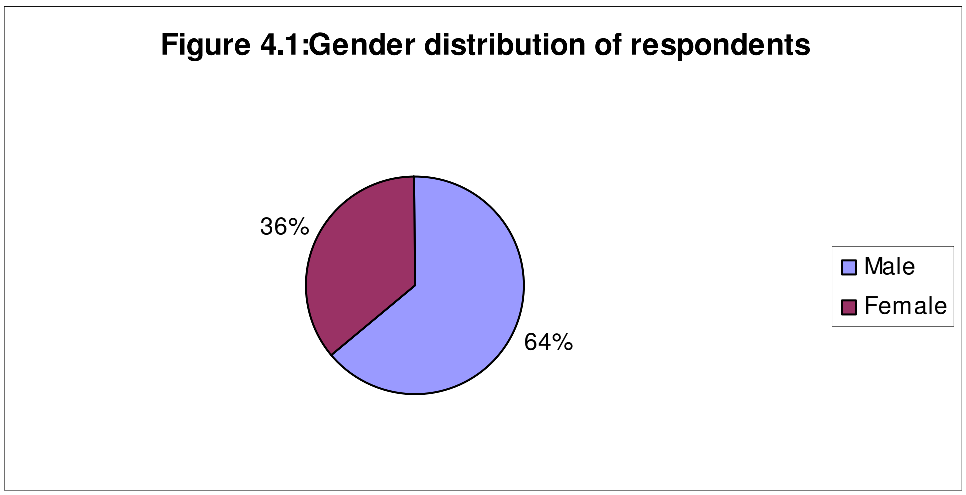

Figure 4.1: The gender distribution of the respondents.

Figure 4.2 demonstrates the racial distribution of the respondents that took part in the survey. The sample consists of 83% black, 14% white and 3% Indian. This is contrary to the profile in the literature review, which indicated that whites are more likely to be in their own business than blacks.

The racial distribution of the respondents

Figure 4.2 demonstrates the racial distribution of the respondents Blacks constituted a larger percentage of the sample at 83%, whites formed 14% of the sample while Indians constituted a very small percentage at 3%

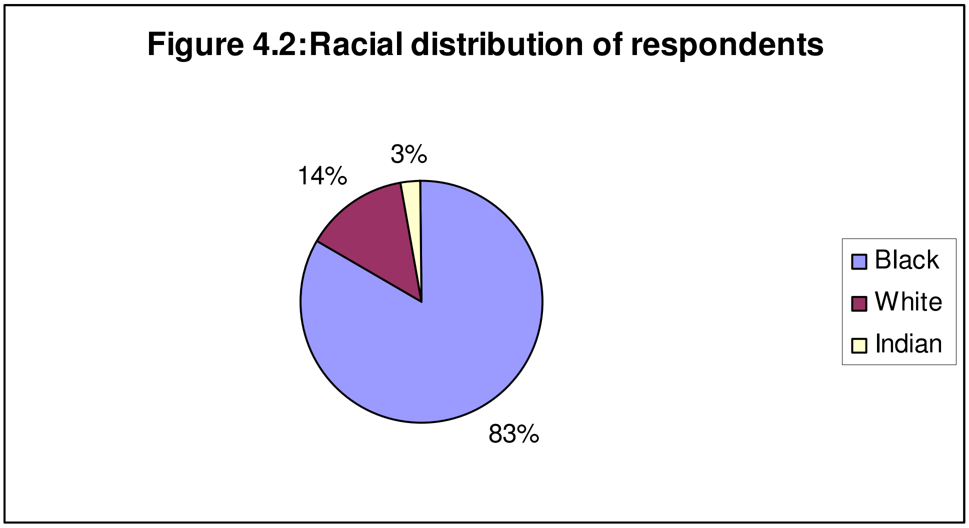

Figure 4.2: The racial distribution of respondents

Business areas of the respondents

Table 4.1 demonstrates the industry sector of the entrepreneurs that took part in the survey. A majority of the entrepreneurs fall into the services and consultancy business area.

Table 4.1: The business areas of the respondents' activities

Services/consultancy	12
Communications/media& information	4
Manufacturing	4
Food related business	4
ICT	3
Construction	3
Swimming Pool services	1
Debt collector	1
Landscaping	1
Agriculture	1
Hair & Beauty	1
Transportation	1
Tourism	1
Marketing	1
Art	1
Accommodation / property	1

<u>Exposure to entrepreneurial education and business start-up</u>

Twenty nine respondents indicated that they had training in entrepreneurship and only seven had not had exposure to entrepreneurial or any business training. Thirty of the respondents indicated that they were already running their own businesses, three do not have businesses and three were neutral. Six of the respondents that had not started their business intended to start their own businesses in the near future.

4.2 Factors influencing individuals' propensity to start their own businesses

The respondents were first asked for unprompted factors that would encourage or inhibit them from starting their own businesses. These results are presented in Table 4.2 (factors encouraging them) and Table 4.3 (factors discouraging them).

4.2.1 Unprompted factors influencing individuals' propensity to start their own businesses

In this section respondents were asked to give their opinion of factors that influence their propensity to start a business. Here common themes were identified from the responses and these were tallied. The results are captured in Table 4.2.

Table 4.2: Factors that encourage entrepreneurs to start their own businesses

Comment	No. of respondents
Wealth creation/financial freedom	17
Eliminate poverty/unemployment/create jobs	10
Be my own boss/Independence	9
Spotting opportunity	7
Self efficacy	3
autonomy	2
Economic climate(consistent rates, sustainable growth	2
Innovative	2
Education in self employment	2
Political stability	1
Risk taker	1
Role model	1
Government support through agencies	1
Proper corporate governance	1

Comment	No. of respondents
Family background	1
Business knowledge	1
Acceptance by financial institutions	1

In this section, Table 4.3 shows the responses that were given by respondents when they were asked to indicate what factors would inhibit them from starting their own businesses

Table 4.3: Factors that inhibit entrepreneurs from starting their own businesses

Comment	No. of respondents
Lack of financial support	18
Fear to take risks	5
Lack of information	3
Lack of support structures for entrepreneurs	3
Burdensome legislation	3
Legal requirements	2
Inability to produce a business plan	2
Fear of failure	2
Lack of business skills	1
Lack of confidence and esteem	1
Lack of business education	1
Crime	1
Corruption	1

4.2.2 Prompted factors influencing individuals' propensity to start their own businesses

Likert scale questionnaire statements 7-35

Table 4.4 demonstrates the counts for each Likert scale category of the factors that encourage and discourage entrepreneurial thoughts and activity. The two groups have been combined for analysis purposes using Stacey's (2005) Distribution Fitting Algorithm (DFA) model.

Table 4.4: Factors that influence entrepreneurship thoughts and activities

STATEMENT	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
7. Unemployment or job dissatisfaction would or did influence your desire to start your own business.	12	18	0	6	0
8. Your desire for independence has made you consider starting your own business.	15	18	0	2	1
9. Your desire for wealth was or is encouraging you to start your own business	19	13	0	2	2
10. Low education levels affected your chance of finding a job, so made you think of starting your own businesses.	6	8	0	16	5
11. Exposure to a successful family business would or did encourage you to think of starting your own business.	7	13	0	14	2
12. Family background has had a strong influence on your entrepreneurial propensity.	9	16	1	10	0
13. Entrepreneurs have specific personal attributes that set them apart from other individuals	14	16	0	4	2
14. Entrepreneurs have a desire to be masters of their own destiny	25	10	0	1	0
15. Your desire to start a business was driven by a need to achieve results and create wealth	23	10	0	1	2
16. As an entrepreneur, you are willing to take risks	16	19	0	1	0
17. Your ability to tackle challenges makes you likely to be a successful entrepreneur	16	18	0	2	0
18. Your desire to lead people has influenced you to want to start your	6	18	0	11	0

STATEMENT	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
own business.					
19. Education has/had a great influence in your desire to start a new business	2	14	0	17	1
20. Generally, you believe that education in entrepreneurship increases rate of start-ups?	8	19	0	8	1
21. Generally you believe that education in entrepreneurship improves the quality of businesses that are started?	16	16	1	3	0
22. You believe that students who participate in entrepreneurship courses are more likely to consider an entrepreneurial career	12	18	1	5	0
23. You believe that being employed in an entrepreneurial business would enable you to learn the techniques of running a business and make you more likely to start your business	4	21	0	10	1
24. Your identification of a possible business opportunity would or did influence your thinking of starting a business	12	19	0	4	1
25. Exposure to a culture with a high entrepreneurial awareness would or has encouraged you to be an entrepreneur	9	23	0	4	0
26. An entrepreneurial role model has or is influencing me to become an entrepreneur	8	21	1	6	0
27. Financial constraints would or are discouraging you from starting a business	13	15	0	7	1
28. The challenge of finding a good management team would discourage you from starting a business	2	10	1	19	4
29. The high failure rate of SMMEs would deter you from starting your own business	2	12	0	18	4
30. The inability to produce a good business plan has or may work against you when thinking of starting a business.	7	17	1	8	3
31. Lack of an entrepreneurship network would or has deprived you of relevant advice and has been discouraging when thinking of starting a business.	10	16	0	8	1
32. Stringent legal requirements are an inhibiting factor in your starting a business	3	14	0	17	2
33. The inefficiency of Government support structures has or would inhibit you from starting your business	3	19	1	12	1
34. Costly and burdensome regulations are or have hindered you in	5	21	0	8	1

STATEMENT	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
your starting a new business					
35. The lack of business and managerial skills has been a somewhat discouraging factor in your starting your business	3	14	0	16	3

The data presented in Table 4.4 was transformed using Stacey's (2005) DFA to give the results in Table 4.5. The data has been sorted by p- value, so that the significantly (alpha = 5%) positive (agreement with the statement in the questionnaire) statements are highlighted in green in the table. They are Questions (statements) 15, 14, 9, 16, 17, 21 and 8. The significantly negative responses (alpha = 5%), or those that disagree with the statements are highlighted in orange in the table. They are Questions (statements) 28, 29, 37, 10, 32, 19, 33, 11 and 23.

Table 4.5: The transformed (Stacey 2005) Likert scale data

Question #	Mean	Standard deviation	n	z-values	p-values
Qu15	1.05793	1.61698	36	3.92555	0.00040
Qu14	0.97055	0.80644	36	7.22098	0.00000
Qu9	0.63343	1.30552	36	2.91117	0.00631
Qu16	0.47759	0.54995	36	5.21049	0.00001
Qu17	0.46184	0.65977	36	4.20008	0.00018
Qu21	0.42147	0.83912	36	3.01364	0.00485
Qu8	0.35868	0.92318	36	2.33119	0.02581
Qu13	0.25482	1.13679	36	1.34496	0.18754
Qu7	0.20443	0.78661	36	1.55931	0.12818
Qu22	0.20099	0.75543	36	1.59633	0.11967
Qu24	0.19403	0.87415	36	1.33182	0.19178
Qu27	0.19100	1.00712	36	1.13789	0.26312
Qu25	0.15547	0.59152	36	1.57700	0.12406
Qu26	0.03741	0.66034	36	0.33988	0.73603
Qu31	0.02737	0.92043	35	0.17589	0.86146
Qu20	-0.06251	0.82307	36	-0.45566	0.65153
Qu12	-0.07526	0.84667	36	-0.53331	0.59729
Qu34	-0.18165	0.72307	35	-1.48622	0.14671
Qu18	-0.18928	0.74384	35	-1.50542	0.14173
Qu30	-0.23826	0.96870	36	-1.47577	0.14921
Qu23	-0.26433	0.70083	36	-2.26304	0.03013
Qu11	-0.33911	0.96195	36	-2.11516	0.04182
Qu33	-0.36872	0.67961	36	-3.25531	0.00257
Qu19	-0.57877	0.66989	34	-5.03779	0.00002
Qu32	-0.58413	0.77879	36	-4.50030	0.00008
Qu10	-0.59569	1.02725	35	-3.43067	0.00164
Qu37	-0.60669	0.81657	36	-4.45785	0.00009
Qu29	-0.76200	0.79602	36	-5.74354	0.00000
Qu28	-0.80060	0.78149	36	-6.14674	0.00000

These findings are represented graphically in Figure 4.3.

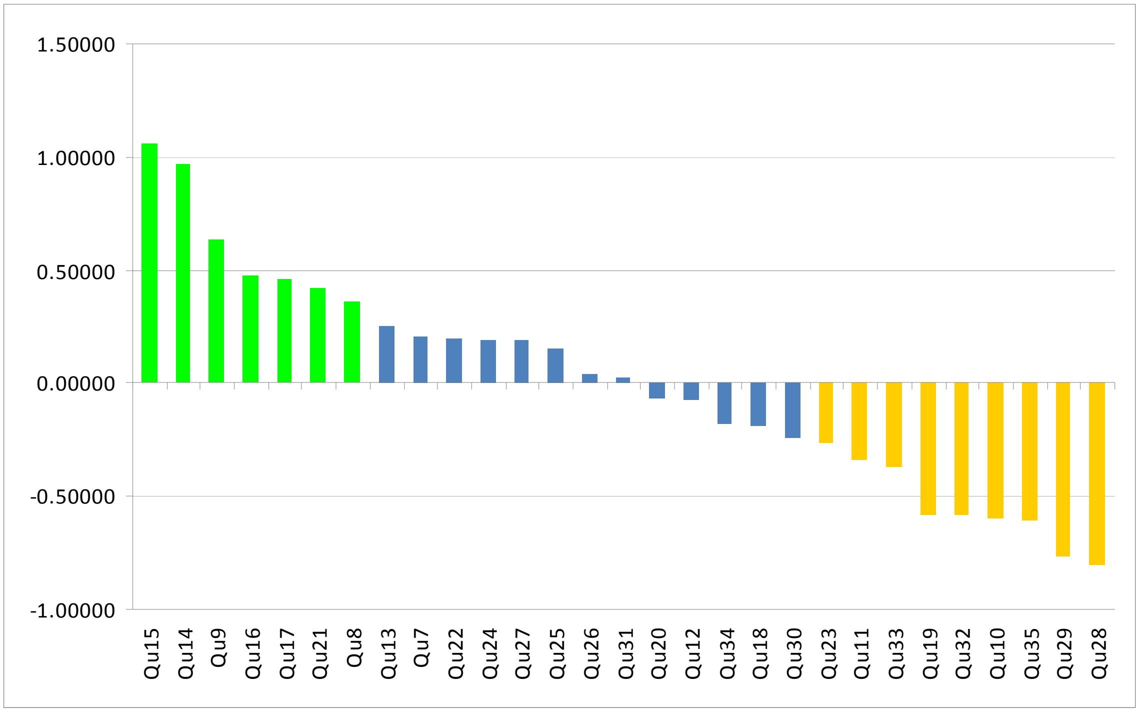

Figure 4.3: Graphical representation of the probability values in Table 4.5

From Table 4.5 and Figure 4.3, it can be seen that the strongest significant agreements (alpha = 5%) (In sequence) were from the following statements:

Table 4.6: Agreement statements ordered from the strongest to the weakest

15. Your desire to start a business was driven by a need to achieve results and create wealth
14. Entrepreneurs have a desire to be masters of their own destiny
9. Your desire for wealth was or is encouraging you to start your own business
16. As an entrepreneur, you are willing to take risks
17. Your ability to tackle challenges makes you more likely to be a successful entrepreneur
21. Generally you believe that education in entrepreneurship improves the quality of businesses that are started
8. Your desire for independence has made you consider starting your own business.

Similarly, the strongest significant (alpha = 5%) disagreements (in sequence from the strongest to the weakest) were with statements:

Table 4.7: Disagreement statements ordered from the strongest to the weakest

28. The challenge of finding a good management team would discourage you from starting a business
29. The high failure rate of SMMEs would deter you from starting your own business
35. The lack of business and managerial skills has been a somewhat discouraging factor in your starting your business
10. Low education levels affected your chance of finding a job, so made you think of starting your own businesses.
32. Stringent legal requirements are an inhibiting factor in your starting a business
19. Education has/had a great influence in your desire to start a new business
33. The inefficiency of Government support structures has or would inhibit you from starting your business
11. Exposure to a successful family business would or did encourage you to think of starting your own business
23. You believe that being employed in an entrepreneurial business would enable you to learn the techniques of running a business and make you more likely to start your business

Additional comments related to entrepreneurship (Q. 36)

The questionnaire had a section that required additional comments related to entrepreneurship from the respondents. The purpose of this was to establish if there would be factors that are more emphasized and new factors that might have been left out but appeared important to the entrepreneurs. This indeed proved helpful as most entrepreneurs did actually have additional comments and these have were captured in table 4.8 in their pure state without editing. The comments received were from 10 of the 36 respondents, some gave more than 1 comment. Their comments have been captured in the above table in their own words and in no sequence and no particular order.

Table 4.8: Additional comments by entrepreneurs

Entrepreneurs should focus on the vision no matter what the objection
To participate in main stream response to the government BBB Economic Empowerment through income generation.
Some people do not look for relevant information from relevant sources for their passion or vision
The desire to master your own destiny is the driving force in entrepreneurship
When entrepreneurs start making a lot of profits/money they start neglecting the management skill and think money is the answer to sustaining a business
A real entrepreneur is a person who does not wait until the iron is hot but strikes it when it gets hot.
Can African organizations or institutions that can skill and finding new entrepreneurs correspond, sponsor & finance us, can they open doors for start- ups?
One must have passion & drive for what ever business venture one enters into .Positive vibrations.
Oh! I think anyone who has an idea, a dream of how to make money! They should just quit…I did and so are my three friends thereafter.
Provide more workshops to rural areas for people who are not /put them where they can access them
It is all about getting that one good idea that will make money and give freedom
Confidence to start a business is important, most people lack it, once that is done they are far more likely to start or buy a business in future.
Entrepreneurship is all about skill, leadership and assertiveness. Well established entrepreneurs must come together and establish entrepreneurship programs.
Fear drives more potential business people. You don’t have to start big but small, also you can start without a plan
People do not know the meaning of the words and where to start. There must be more information in media about it
Workshops are needed for entrepreneurship in the Townships

CHAPTER 5: Discussion of the Results

This chapter presents a discussion of the results in the context of the reviewed literature and in relation to the research question and findings. The research question sought to investigate the factors that influence the individual's propensity to start their own business, the discussion of the results will follow on this perspective and where possible, in the order of the questionnaire.

5.1 Demographics

- **Gender**

The literature review has pointed to the fact that in the South African context there are twice as many men in business than there are women (DTI, A Special Report 2005). Indeed, this survey has again revealed this fact as there are more men in the sample of entrepreneurs. The men constituted 64% and women 36%, indicating that men still dominate in the business start-up. This factor could be attributed to the fact that women still face problems in business such as lack of financial support from institutions that do not have the confidence in women. This is further perpetrated by the fact that women lack the appropriate experience which is otherwise gained by men in the business that gives them business experience.

- **Race**

In terms of race, the pie chart in figure 4.1 demonstrated that more blacks are starting their businesses. This may be due to the fact that in the past, blacks did not have the opportunity to participate in the economy. The BBBEE strategy has been formulated to balance the inequalities that had been created by the apartheid era. More blacks are seen participating in the economy in the form of small businesses. Another reason could be that The Business Place is a government initiative and the other races view it as a centre for disadvantaged people or poor people hence more black seen accessing it. Whites and Indians form a very small percentage. This is skewed in the case of Indians because they somehow fall into the category of disadvantaged group. The expectation would be that the percentage of the Indians would be bigger than that of whites but the survey results have proved otherwise.

The findings of the survey are contrary to the literature review (Orford *et al* 2005), which stipulated that whites are more likely than blacks to be in businesses. The survey results show that whites constitute a small percentage of the population of entrepreneurs in the start up rate and blacks make up a bigger percentage (see table 4.2).

- **Business sector**

In terms of the business sectors of the entrepreneurs, the results of the survey indicate that 30% of the entrepreneurs fall in the category of the services and consulting sector. Following is the communication, manufacturing and food business at 10 %.Construction is also following at a very low 7% percent. Other sectors like landscaping, agriculture, transportation, marketing and tourism had minimal representation.

The analysis of the questionnaire revealed that there are no factors that are specific to a particular business sector. Entrepreneurs seemed to be influenced by similar factors to start a business regardless of the business factor. In fact, a larger percentage of the sample was from the consulting and service sector followed by the manufacturing and restaurant sector. One cannot help but notice that the consulting and services sector seems to be associated with autonomy and desire for independence and flexibility. This factor came at the top of all the other factors.

Even though the focus of the research was not to determine which sector is most preferred to start a business; the results showed that none of the sectors seemed to have a high start up rate. Perhaps further research should be done to investigate why this is the case. For one, it should be investigated whether this is due to opportunities existing in that sector, the kind of network that would provide opportunities, demand in that sector low barriers to entry (Shane 2003)

5.2 Entrepreneurial education and business start- ups

The survey results revealed that most entrepreneurs had been exposed to some form of entrepreneurial education. At least 10% of the entrepreneurs who participated in the survey had started their businesses without any exposure to entrepreneurial/business education .This is inconsistent with the literature review, that people with entrepreneurial education are more likely to start a business (Garavan and O'Cinneide 1994; Evan and Leighton 1989; Arenius and De Clerq 2005). Those that had not started their businesses also indicated that they will start their businesses in the near future. Out of the 36 respondents, 30 already had their own businesses and the other 6 had strong intentions to start a business of their own.

The survey somewhat presented a mix of results. Even those that had not had exposure to business training had started their businesses even though they formed a small percentage. This goes on to support the argument that education is not a key factor in starting a business (Kao *et al* 2002; Gartner 1990).

5.3 Factors that influence entrepreneurial propensity

In this section entrepreneurs were given statements where they had to indicate their most preferred responses. These questions were formulated from the factors emanating from the literature review. The aim was to derive comparisons between real cases and the literature review. Table 4.5 (below) summarises the results and the following factors were identified as most influential in the individual's propensity to start a business;

Table 4.5: The transformed (Stacey 2005) Likert scale data

Question #	Mean	Standard deviation	n	z-values	p-values
Qu15	1.05793	1.61698	36	3.92555	0.00040
Qu14	0.97055	0.80644	36	7.22098	0.00000
Qu9	0.63343	1.30552	36	2.91117	0.00631
Qu16	0.47759	0.54995	36	5.21049	0.00001
Qu17	0.46184	0.65977	36	4.20008	0.00018
Qu21	0.42147	0.83912	36	3.01364	0.00485
Qu8	0.35868	0.92318	36	2.33119	0.02581
Qu13	0.25482	1.13679	36	1.34496	0.18754
Qu7	0.20443	0.78661	36	1.55931	0.12818
Qu22	0.20099	0.75543	36	1.59633	0.11967
Qu24	0.19403	0.87415	36	1.33182	0.19178
Qu27	0.19100	1.00712	36	1.13789	0.26312
Qu25	0.15547	0.59152	36	1.57700	0.12406
Qu26	0.03741	0.66034	36	0.33988	0.73603
Qu31	0.02737	0.92043	35	0.17589	0.86146
Qu20	-0.06251	0.82307	36	-0.45566	0.65153
Qu12	-0.07526	0.84667	36	-0.53331	0.59729
Qu34	-0.18165	0.72307	35	-1.48622	0.14671
Qu18	-0.18928	0.74384	35	-1.50542	0.14173
Qu30	-0.23826	0.96870	36	-1.47577	0.14921
Qu23	-0.26433	0.70083	36	-2.26304	0.03013
Qu11	-0.33911	0.96195	36	-2.11516	0.04182
Qu33	-0.36872	0.67961	36	-3.25531	0.00257
Qu19	-0.57877	0.66989	34	-5.03779	0.00002
Qu32	-0.58413	0.77879	36	-4.50030	0.00008
Qu10	-0.59569	1.02725	35	-3.43067	0.00164
Qu37	-0.60669	0.81657	36	-4.45785	0.00009
Qu29	-0.76200	0.79602	36	-5.74354	0.00000
Qu28	-0.80060	0.78149	36	-6.14674	0.00000

The results are grouped into 3 categories. The first category being that of the most influential factors. In this category the first 7 factors demonstrated in table

4.5 are those that highly influence entrepreneurial propensity and all these fall under psychological factors.

5.3.1 <u>Wealth creation and the need for achievement (Q.15)</u>

The notion of wealth creation and profit is emphasised again in the definitions that were mentioned in chapter two (Herbert and Link 1982; Timmons 1994). It is therefore not surprising that it emerged among the most important factors that encouraged entrepreneurs in the sample to start their own businesses.

The survey results indicated that most of the entrepreneurs go into business primarily to create wealth for themselves (Koh 1996; Vecchio 2003; Nabi *et al* 20O6). A few other entrepreneurs indicated that they had started their businesses in order to curb crime, poverty and reduce unemployment.

Notably, this factor rated high as it is in line with Timmons" (1994) definition which has been adopted for purposes of this study. In this definition, Timmons (1994) emphasised the notion of wealth creation, innovation and adding value to society. Scholars like Shane (2003) and Dana (2006) have also emphasised the importance of adding value through a combination of resources to provide a service or a product to society. Rightfully so, a number of entrepreneurs in the survey (although among the lowest of the factors see appendix 2) indicated that they went into business because they wanted to come up with their own product. This is the aspect of innovation which is once again emphasised in Timmons's (1994) definition that was adopted for this study.

5.3.2 <u>Entrepreneurs want to be masters of their own destiny (Q.14)</u>

The responses from the entrepreneurs show that entrepreneurs want to be masters of their own destiny, they have the hunger for independence and they desire to achieve positive results. The summary of results presented on table 4.4, indicate that psychological factors were rated high by the entrepreneurs. The non psychological factors followed and in third place are the environmental factors.

The reason why the environmental factors rated low is not known but by all indication they are not strong enough to stand in the way of entrepreneurs in starting a business. Perhaps it could be the fact that the impact of these negative factors is only felt when the entrepreneurs have already made the decision to start the business. For example, entrepreneurs might come across burdensome regulations when they go to register the company. Such a time comes after the entrepreneur has taken the decision to start a business. So the influence these factors will have in influencing the entrepreneur's decision to start a business tends to be minimal if any. Table 4.5 and figure 4.3 demonstrate how most entrepreneurs found the non- psychological and environmental factors as less influential in the decision to start a business.

5.3.3 <u>Risk taking propensity (Q.6)</u>

The results of the survey reveal that the top factor that influences individuals to engage in business is the propensity to take risks. Literature suggested that the propensity to take risk is a psychological factor inborn in entrepreneurs. Furthermore, literature suggested that the risk factor is low in the South African context and needs to be developed (Baumol 2001). However, responses from the entrepreneurs show that risk taking is among the high factors that had motivated them to engage in business which is contrary to what Baumol 2001 suggested (see table4.3).The responses are in line with Timmons's (1994) definition of entrepreneurship which was chosen for the purposes of this study. Timmons (1994) and Mintzberg (2005) emphasise the importance of risk taking propensity in the entrepreneurship realm adding that without it there is no entrepreneurship.

5.3.4 <u>Ability to tackle challenges (Q.17)</u>

Entrepreneurs found that the ability to tackle challenges stimulates them to start their own businesses. Timmons (1994) describes entrepreneurs as people who are not afraid of ambiguity because they are more open to ambiguous challenges because they have the ability to tackle challenges. The survey results prove this point to be true as they indicated that the ability to tackle challenges is an influential factor in starting a business.

5.3.5 <u>Education in entrepreneurship improves the quality of businesses that are started (Q.21)</u>

Most entrepreneurs were in agreement that education will improve the quality of the businesses that are started. However, table 4.7 shows that most entrepreneurs are in disagreement that education is a crucial factor that influences start up. But they do think that a course on business studies may help improve the quality of the businesses. Notably, this seems to be a contradiction in he respondents' responses. Literature demonstrated that most scholars have cried for entrepreneurs to be educated in business studies in order to improve the running of businesses (Becker 2003; Gurol and Atsan 2006; Nabi *et al* 2006; Boyd and Vozikis 1994). It could have been a limitation of this study that it was not specified what type of education was referred to.

5.3.6 <u>Desire for independence (Q.8)</u>

The entrepreneurs' responses also show that desire for independence is one of the important factors in the propensity to start a business. As suggested by literature (Vecchio 2003 and Nabi *et al* 2006) entrepreneurs are people who love their autonomy and independence and in most cases they feel suppressed in larger firms that they are forced to tailor suitable jobs for themselves (Vecchio 2003; Nabi *et al* 2006; and Kirby 2004).

In terms of the inhibiting factors, entrepreneurs showed disagreement in that environmental and non-psychological factors would inhibit them from starting a business. Figure 4.3 demonstrates the highest disagreement factors in that a lack of education, management team, lack of business skills would discourage the entrepreneurs' propensity to start a business. Environmental factors like stringent legal requirements (Shane 2003), government support (Indarti and Langenburg 2004), and exposure to an entrepreneurial business environment

(Kao et al 2002; Klandt 1993) were the weakest of the factors that would discourage entrepreneurial intentions. Even though these are negative factors, they do not have a strong discouraging influence on entrepreneurial intentions as seen on the survey results.

5.4 Factors That Least Influence Entrepreneurship Propensity

These factors are those with a high negative mean value yet the questions are asked positively i.e. questions 28,29,33,32 and 35.

The entrepreneurs disagreed significantly that management skills would discourage them from starting a business. The z-values in indicate a negative 6.14674 which demonstrates a significant disagreement. This factor constituted the strongest in the disagreeable factors followed by the failure of SMMEs.

The entrepreneurs also significantly disagree that education is an inhibiting factor in starting a business.

5.4.1 <u>The inefficiency of government support structures (Q.33)</u>

The results of the survey suggest that government support was not that critical in them making the decision to embark in entrepreneurial activity. This is a bit different from the picture painted by literature. Considering the critical contribution made by SMMEs in growing the economy, scholars have stressed the importance of government support in fostering SMMEs (Bosma and Harding 2006).

5.4.2 <u>Stringent legal Requirements (Q.32)</u>

Responses from the entrepreneurs show that they did not find this factor critical in influencing their decision to start a business. This was unexpected considering that literature has pointed out that this was the biggest inhibitor in starting a business as they make the operation of a business difficult i.e. leads to corrupt practices like payment of bribes which tends to squeeze the margins of smaller businesses, forcing them out of business ultimately (Indarti and Langenberg 2004).

5.4.3 <u>The challenge of finding a good managerial Team (Q.28)</u>

Responses from the entrepreneurs demonstrated that this factor would not have a negative influence in them starting a business. But Timmons (1994) expresses critical importance of a good management team in the success of a business venture. Considering the responses from the entrepreneurs, it could be that the contribution of a good management team is mostly becomes an important factor after the formation of a business but not in making he decision to enter into entrepreneurial activity. In fact, Balkenhol and Evan-Knock (undated) in their argument point to the fact that having a weak management team (in skill and education) often leads to failure of the business venture.

5.4.4 <u>The high failure rate of SMMEs (Q.29)</u>

This high failure rate of SMMEs fell lower down in the least influential factors. This suggests that it could not have much of a negative influence in the entrepreneurs' decision to engage in entrepreneurial activity.

Social Networks

The concept of social networks is emerging as the most important concept in entrepreneurship. In fact, countries like Germany have recognised the importance of social networks in influencing the propensity to start a business and have gone to the extent of increased support in the form of incentives to people who start and assist others in business start-up (Dana 2006). The findings of this research have proven to be in contrast with this view. A closer look at the factors reveals that this was among the least influential factors. This factor rated among the lowest influential factors which suggest that entrepreneurs do not consider it that important in influencing their decision to engage in entrepreneurship.

5.5 Discussion of Additional comments by respondents

A comparison of the results of the survey and the additional comments points to the same fact that psychological factors (desire for independence and to create wealth, need for achievement and autonomy) stand out as the most important factors in influencing individuals' propensity to start a business. A quick comparison of the identified factors from the literature review (question 7-35) and the factors listed by entrepreneurs in additional comments confirms that psychological factors are the most influential in the individual's propensity to start a business (See Table 4.8.). Again, most of the statements pointed to the same factors like desire to create wealth and risk propensity as the most influential in starting a business.

Attention however was also paid to factors that may have been left out in the questionnaire but considered important by entrepreneurs. One such statement is the one pertaining to the entrepreneurs response to governments calling of participating in the BBBEE. This factor was new and reveals a new side the factors in that we can see that entrepreneurs are responsible citizens, who apart from being driven by the desire to create wealth for themselves, also want to participate in growing their country's economy and contribute to poverty alleviation through job creation. This is most important because throughout the introductory and literature review chapters, there has been repeated emphasis on the importance of SMMEs in reducing poverty through job creation (Akhtar 1999 and Baumol 1968).

Confidence to start a business has also emerged in the additional comments and scholars have touched upon it in the literature review. Perhaps on this one, as in the education factor, we need to define what can build this confidence, because it has been highlighted as an inhibitor in the South African context. In fact Samujh

(2004), Lee *et al* (2005) and Nabi *et al* (2006) have all touched on the negative influence that this factor has on the individual's propensity to start a business.

CHAPTER 6: Conclusions and Recommendations

It is evident from the survey results that, in the South Africa context, entrepreneurs are largely driven by psychological factors to engage in entrepreneurial activities. The survey has identified that the majority of entrepreneurs are stimulated by the desire to create wealth for themselves and a need to achieve results through their own actions. In addition, entrepreneurs are people who want autonomy and want to be masters of their own destiny.

Entrepreneurs felt that they have the ability to tackle challenges and are not afraid to take risks. The results further show that entrepreneurs felt that engaging in business education can improve the quality of businesses that are started. Entrepreneurs are highly independent people and this, as seen in the literature review, is what may push them to start their own businesses. Table 4.6 demonstrates that the above factors are a strong influence to entrepreneurs in deciding to start a business.

The demographics showed a gender imbalance in the ownership, revealing that business women are still not well represented in business start-up. A lot of reasons could be attributed to this as covered in the literature review.

As literature points out those women are still facing cultural barriers in terms of securing finances for their businesses (Butler and Rosen 1988 cited in Brindley 2005; Marlow and Patton 2005).The fact that most start ups are financed through personal savings make it even harder for women to start their own businesses. In fact this has been the major challenge when it comes to women starting their own businesses. Most women are, as pointed as pointed out in the literature, confined to low positions as opposed to men and are therefore more likely to have low earnings. This puts them in a disadvantaged position when it comes to obtaining start-up capital. It is the objective of this research to sensitise government to the issue and place emphasis on promoting women entrepreneurs in South Africa.

The responses from the entrepreneurs indicate that South African entrepreneurs do not regard education as important /critical factor to start-ups. The results of the survey show that South African entrepreneurs are mostly driven by psychological factors like desire for independence, wealth creation and desire for autonomy.

In reference to the education factor, the results of the survey took an unexpected turn out, as most entrepreneurs did not consider education as pre-requisite in starting a business. The survey questionnaire reveals that; twenty eight of the respondents had access to education which may have raised an expectation that they would rate education as important. This has not been the case and this could be attributed to the following reasons;

a) They may have had access to education before they started their own business and at this point in time it may not seem that important to them to acquire education.
b) It could be that education did not play any part in them starting a business such that other factors emerged as important whilst in the business that created the need to get business training of some sort.

On the contrary, there was a far cry by scholars as seen in chapter two, for more education in entrepreneurship. It is not known for sure whether their concerns are unfounded but it is known for sure that stimulating the entrepreneurial spirit still remains important for every country including South Africa. Education has been regarded by some scholars as an influential factor in business start-up and has been listed as an important contributor in the creation of quality businesses (Kolvereid and Moen 1997; Bosma and Harding 2006).

The limitation of this research is that it did not clearly define what education means to the entrepreneurs. Hansemark (1998:32) has also alluded to this problem as he states that,"the area of entrepreneurship education suffers from how to define what entrepreneurship education really is". It is not clear whether we are talking about education directed to small business management or education as in traditional literacy. For one, there could be education to improve an existing situation that may lead to creation of a new product that may add economic value. It could also be education that in the form of entrepreneurship programmes that adds knowledge about entrepreneurial skills and attributes. Judging from the contradictory responses from the entrepreneurs on the subject of education, there was clearly a need to define education in this research.

It is evident from the results that in the South African context, as in any other country in the world, the individuals' psychological attributes are important in influencing entrepreneurial intentions. As evident in Hansenmark's (1998) research, the need for achievement, risk taking propensity and locus of control are among the highest of these attributes.

The results of the survey indicate that psychological factors are what mostly influence entrepreneurs to start a business in the South African context. Environmental and non psychological factors tend to be pre-cursors of the psychological factors and are a lesser threat to entrepreneur's aspirations to start up a business. It could be that entrepreneurs encounter these after they had already taken the decision to engage in entrepreneurial activity. As for how they affect them is of secondary importance. In light of this view, it is evident that environmental and non psychological factors are not strong enough to prevent the entrepreneurs from starting a business but may influence the business negatively at a later stage.

6.1 Suggestions for future research

Figure 4.2 demonstrated that the racial distribution of the sample was biased towards blacks. This is contrary to previous research that suggested that whites are more likely to be in business than blacks (Orford *et al* 2004). This comes as a surprise because "The Business Place" is a centre that helps give advice to both potential and existing entrepreneurs and is open to people of all colours. As to why the sample is biased, is not comprehendible. One option is to project that this could be a result of the fact that South Africa has initiated the BBBEE charter to try and correct the inequalities brought about by the apartheid era.

- It would be interesting to investigate this and see what the cause might be because then this would reveal whether the country is realising the goals of the BBBEE charter which includes getting more businesses in the hands of the previously disadvantaged people (as enshrined in one of their strategic pillars).
    - Future research may investigate if the number of black businesses is increasing and stable or they just get influenced to start their businesses and abandon these ideas, are there opportunities for them in the market?, do they exploit and execute these opportunities.

- Future research should look into defining the meaning of entrepreneurial education in the context of demarcating between academic education, formal business education and short courses that create awareness about entrepreneurship skills that specifically focus on business start-up.

- Furthermore, future research may actually investigate the process of entrepreneurship right after entrepreneurs have been stimulated to engage in business. This would investigate if the entrepreneurs move from being stimulated into the process of actually starting the business. This should seek to establish what factors further motivate them to get into the actual process of starting a business by looking at the actual start up process and monitoring the performance. Governments' interest in monitoring the process after business start-up lies in ensuring and embarking on increasing the businesses that are formed and that they are quality businesses that have a growth potential and play a contributory role in the growth of the economy (Berry *et al* 2002).This way, an increase in the statistics of business start up will be truly representative and useful in making informed decisions, as it will present an accurate picture.

- In addition, future investigation on how influential factors can be stimulated in individuals to increase the entrepreneurial activity. What factors would ensure that these attributes are planted into entrepreneurs to ensure a continuity of the entrepreneurship activity. Would a stimulation of these factors guarantee an increase in start-ups?.

- It has been noted in the survey results that entrepreneurs are mostly stimulated by psychological factors to engage in their own businesses, it would be worth investigating whether the other factors including the environmental and non psychological factors would have some form of influence, either negatively or positively in influencing the entrepreneurs' decision to continue/ discontinue with the business at a future stage in he running of he business.

- Future research should also look into whether the factors that influence South African entrepreneurs are the same factors that influence entrepreneurs in other regions/ countries.

- It would be interesting to see if entrepreneurs follow the entrepreneurial process after getting stimulated to start a business. Future research should investigate how South African entrepreneurs identify, exploit and execute opportunities (Shane 2003).

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Appendix 1

Survey Questionnaire for "Factors that influence individual's propensity to start their own businesses"

<u>QUESTIONAIRE</u>

FACTORS THAT ENCOURAGE ENTREPRENEURSHIP ACTIVITY

Please complete this section by ticking one option that applies to you for each statement as it relates to you.

PART 1: DEMOGRAPHICS

1. Please indicate your race:

Indian ☐ Colored ☐ White ☐ Black ☐ Asian ☐

2. Please indicate your gender:

Male ☐ Female ☐

3. Please state your business sector

………………………………………………………………………………………
………………………………………………………………………………………

4. Have you enrolled in any entrepreneurship course or attended a workshop on entrepreneurship?

Yes ☐ No ☐

(a)If you answered yes to question 4, are you already running a business or considering starting your own business?

Yes No

(b) If you answered no to question 4, are you considering starting your own business.

Yes No

PART II

Please write your responses in the space provided.

5. What factors did or would encourage you to start your own business?
………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………

6. What factors did or would discourage you from starting your own business?
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………

PART III
FACTORS THAT ENCOURAGE ENTREPRENEURSHIP ACTIVITY

In this section, please indicate your response by ticking the block that shows how much you agree or disagree with the statement.

Statement		Strongly agree	Agree	Disagree	Strongly disagree	Neutral	Don't know
7	Unemployment or job dissatisfaction would or did influence your desire to start your own business.						
8	Your desire for independence has made you consider starting your own business.						
9	Your desire for wealth was or is encouraging you to start your own business						

Statement		Strongly agree	Agree	Disagree	Strongly disagree	Neutral	Don't know
10	Low education levels affected your chance of finding a job, so made you think of starting your own businesses.						
11	Exposure to a successful family business would or did encourage you to think of starting your own business.						
12	Family background has had a strong influence on your entrepreneurial propensity.						
13	Entrepreneurs have specific personal attributes that set them apart from other individuals						
14	Entrepreneurs have a desire to be masters of their own destiny						
15	Your desire to start a business was driven by a need to achieve results and create wealth						
16	As an entrepreneur, you are willing to take risks						
17	Your ability to tackle challenges makes you likely to be a successful entrepreneur						
18	Your desire to lead people has influenced you to want to start your own business.						
19	Education has/had a great influence in your desire to start a new business						
20	Generally, you believe that education in entrepreneurship increases rate of start-ups?						
21	Generally you believe that education in entrepreneurship improves the quality of businesses that are started?						
22	You believe that students who participate in entrepreneurship courses are more likely to consider an entrepreneurial career						
23	You believe that being employed in an entrepreneurial business would enable you to learn the techniques of running a business and make you more likely to start your business						
24	Your identification of a possible business opportunity would or did influence your thinking of starting a business						
25	Exposure to a culture with a high entrepreneurial awareness would or has encouraged you to be an entrepreneur						
26	An entrepreneurial role model has or is influencing me to become an entrepreneur						

PART IV

FACTORS THAT DISCOURAGE ENTREPRENEURSHIP ACTIVITY

Statement		Strongly agree	Agree	Disagree	Strongly disagree	Neutral	Don't know
27	Financial constraints would or are discouraging you from starting a business						
28	The challenge of finding a good management team would discourage you from starting a business						
29	The high failure rate of SMMEs would deter you from starting your own business						
30	The inability to produce a good business plan has or may work against you when thinking of starting a business.						
31	Lack of an entrepreneurship network would or has deprived you of relevant advice and has been discouraging when thinking of starting a business.						
32	Stringent legal requirements are an inhibiting factor in your starting a business						
33	The inefficiency of Government support structures has or would inhibit you from starting your business						
34	Costly and burdensome regulations are or have hindered you in your starting a new business						
37	The lack of business and managerial skills has been a somewhat discouraging factor in your starting your business						

38. Do you have any additional comments related to your own entrepreneurship thoughts and activities?
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

Thank you for your input

Appendix 2

Glossary

SMME Small, Medium and Micro Enterprises

DPRU Development Policy Research Unit

DTI Department of Trade and Industry

GEM General Entrepreneur Monitor

TEA Total Entrepreneurial Activity

BBBEE Broad Based Black Economic Empowerment

SBP Small Business Project