

**PERCEIVED BARRIERS EXPERIENCED BY TOWNSHIP SMALL -, MICRO -, AND
MEDIUM ENTERPRISE ENTREPRENEURS IN MAMELODI**

BY

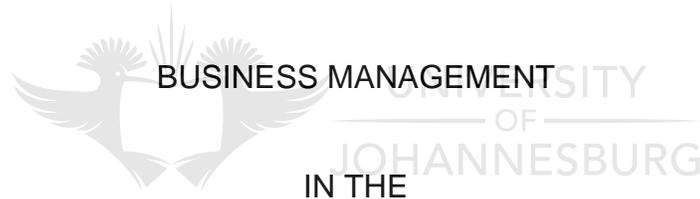
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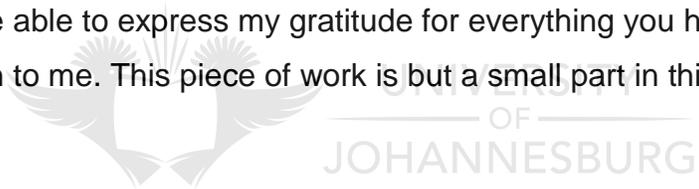
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***This dissertation is dedicated to my grandmother, my heroine –
Elizabeth N Maphalla***

“You saw things in me a long time ago, things that I am only starting to realise now. Words will never be able to express my gratitude for everything you have done for me and what you mean to me. This piece of work is but a small part in this great legacy you have created”



Acknowledgements

All the glory and all the praise belong to my Heavenly Father. Thank you Lord for your grace, your favour, your provision and all the blessings in my life.

“There is no more noble occupation in the world than to help another human being – to help someone succeed” Alan Loy McGinnis

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“I can do everything through Him who gives me strength” (Philippians 4:13).

Abstract

Entrepreneurship has a significant economic contribution in terms of employment, job creation and wealth creation that can be attributed to entrepreneurial enterprises (Bell, Callaghan, Demick & Scharf 2004:1). Entrepreneurial activity in any economy often takes place in the small- micro- and medium enterprise (SMME) business sector (Rwigema & Venter 2004:315). However, in the establishment of SMMEs, entrepreneurs encounter or perceive barriers that hinder the establishment, sustenance and growth of these important vehicles that are vital to the development of both society and the economy (Kunene 2008).

The focus of this research study is therefore to identify barriers and perceived barriers to entrepreneurship. The study is exploratory and specifically attempts to identify and understand the barriers perceived and experienced by entrepreneurs in the township of Mamelodi in establishing, sustaining and growing enterprises.

Mamelodi is a township outside Pretoria, was established in 1953 and has a population of close to one million people (www.saweb.co.za). Like other townships around South Africa, it is characterised by high levels of poverty and unemployment. Mamelodi is therefore considered an environment where the suggested contributions of entrepreneurship can be beneficial.

The study was done through conducting qualitative research. Structured interviews conducted with thirty SMME owners (the focus was on small and very small business owners) in Mamelodi identified barriers to SMME entrepreneurship. Non-probability, specifically purposive sampling, was used to choose the sample; data was collected using an interview schedule and recorded using notes and a digital recorder. Both thematic and constant comparison methods were applied to analyse the data collected.

In trying to identify barriers to entrepreneurship, the study used the Nieman and Niewenhuizen (2009) model for entrepreneurial development, as well as elements

identified by Kunene (2008) in the Macro Environment, the Market Environment and the Internal Environment as a framework. The following findings were made in the study:

The five frequently mentioned barriers in the interviews were: lack of access to funding, lack of training and development, lack of knowledge and information, crime and lack of business premises. There were other barriers identified within the economy, barriers posed by customers, barriers in the regulatory environment (including lack of government support), barriers with regard to lack of infrastructure and technology and barriers with regard to the negative effects left by the legacy of apartheid. Contributory to the lack of training and development - the lack of mentorship, role modelling and entrepreneurial orientation were also identified as barriers to entrepreneurship. The most frequently mentioned areas of training where the respondents felt they could benefit most, included training in areas of finance and bookkeeping, marketing and management.

With regard to entrepreneurial orientation and other findings, most of the respondents noted that they did not think that culture influenced entrepreneurship. This opinion challenges other studies that indicate that culture influences entrepreneurship. The most frequently mentioned reasons for starting a business by the respondents are those that can be regarded as pull factors with the seeking of independence/being self employed as the most frequently given reason. Despite all the barriers indicated, the majority of respondents are of the opinion that there is market growth potential in Mamelodi that can be explored to encourage and support entrepreneurship.

Some of the recommendations made in the study to address the abovementioned barriers include amongst others: Initiatives by financial institutions, better communication by Government with regard to offerings and assistance available to entrepreneurs, training and development opportunities (both technical and in business skills), early entrepreneurship orientation programmes, role modelling and mentorship initiatives, as well as community initiatives.

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CHAPTER 1

Introduction

1. Background

North (in Greyling, 2007: 14) states that “Entrepreneurship has been a catalyst in the development and growth of the world’s strongest economies. South Africa is no different. To realise the ideal of a better life for all South Africans, the entrepreneurial energies of all our people should be harnessed to ensure that the country’s full potential for economic growth is unleashed”. Entrepreneurship has a significant economic contribution in terms of employment, job creation and wealth creation that can be attributed to entrepreneurial enterprises (Bell, Callaghan, Demick & Scharf, 2004:1). To stimulate entrepreneurial activity in any economy, a vibrant small-, micro- and medium enterprises (SMME) sector needs to be developed. (Rwigema & Venter, 2004:315). SMME businesses dominate the new entrepreneurial society. A common picture in the entrepreneurial society is that the successful small firm starts as entrepreneurial enterprise and then transforms itself, exploiting the formula that underlies its success and the market it has found (Bjerke; 2007:20-21).

Entrepreneurship comprises the emergence and growth of new businesses. The motivation and goal of the entrepreneurial activities is to make profit. Entrepreneurship is also the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market. In the process entrepreneurs create value for themselves and the society (Nieman & Nieuwenhuizen, 2009: 9), whilst SMMEs are generally defined by revenue, assets or by number of employees. In terms of the South African National Small Business Amended Act (No 29 of 2004) (Hereafter referred to as the Act), the small business enterprise is a separate and distinct business entity including co-operative enterprises and non-governmental organisations, managed by one or more owners. The size of which lies within specific thresholds which classify whether the business will be categorised as micro, very small, small or medium. The Act offers the classification set out in Table 2.1.

Rwigema and Venter (2004:6-7) suggest that entrepreneurship leads to new venture or new enterprise creation, which would begin in the start-up phase when the venture is still small. From this statement the logical link between entrepreneurship and the creation of SMMEs can be made, and this logic is further strengthened by the following statistics: The SMME sector in South Africa constitutes 98 per cent of all business, contributes 37 per cent of gross domestic product, and employs 68 per cent of the country's labour force (Anonymous, 2007).

In the definition given by Nieman and Nieuwenhuizen (2009), it is mentioned that entrepreneurship involves the response to opportunities in the market. Rwigema and Venter (2004:315) argue that the SMME sector was largely neglected during the Apartheid years in South Africa. Since the end of apartheid in South Africa, the new economic environment established by the democratic government has created opportunities for would-be SMME entrepreneurs.

South Africa has been described as the "economic powerhouse" of Africa, with a GDP or economic growth of 4, 9% in 2005, and 4, 2% in the first quarter of 2006 (at its peak before the slowdown in the global economy), inflation is relatively well controlled, a democratic state exists, stable financial markets and a functioning banking sector is maintained, and a stable political environment has been achieved. The country also has one of the best constitutions in the world. The country attracts healthy foreign investments and free trade is also encouraged by the government (www.southafrica.info).

However against the background enunciated above, the Global Entrepreneurship Monitor (2008), which was led by the UCT Graduate School of Business, determined that South Africa's Total Entrepreneurship Activity (TEA) was in the 23rd position out of 43 in 2008. TEA is the measure by percentage of people between 18-64 who are involved in starting or running a business. According to the study, South Africa also has one of the lowest new business success rates (GEM, 2008).

If the notion that entrepreneurship through the creation of SMMEs enhances economic development and creates new jobs is to be believed, the findings of the GEM (2008) suggest that South Africa should find solutions to improve SMME entrepreneurship. According to Statistics South Africa (2008), job creation is especially critical in South Africa with its official unemployment rates speculated as high as 21.9% (www.statssa.gov.za).

The majority of the unemployed in South Africa who can benefit from the jobs that can be created through SMME entrepreneurial activity reside, in what has come to be known as townships. Townships are specific areas outside major cities where the apartheid system forced black citizens to reside, being separated from other races. These townships were and are still characterised by poverty and high levels of joblessness. The townships in and around Pretoria are no exception, specifically the township of Mamelodi, which was established in 1953 and has an unofficial population of close to one million people (www.saweb.co.za). Moller (2008:12) indicates that 65 percent of people in the City of Tshwane Metropolitan Municipality reside in the formal suburbs while 35 percent reside in informal settlements. Moller (2008:16) also indicates that the unemployment rate in Mamelodi is 63.6 per cent. Melzer (2006), in a survey study called "Township Markets: A high level review of survey data", indicates that the rate of unemployed young black people in large metros is exceptionally high. According to the survey, the percentage of unemployed black people in metros (mostly townships) per age group is as follows:

| Age Group | Percentage |
|------------------|-------------------|
| 20-24 years | 63% |
| 25-34 years | 41% |
| 35-44 years | 28% |
| 45-54 years | 25% |
| 55-64 years | 16% |

The Organisation for Economic Cooperation and Development (OECD) report of 2003/2004 states that “promoting entrepreneurship policies has been embraced as a means of increasing economic growth diversity, ensuring competitive markets, helping the unemployed to generate additional jobs for themselves and others, and countering poverty and welfare dependency”. The report further states that “increasing rates of enterprise creation are now an almost universal concern for local authorities and central governments wishing to accelerate development in disadvantaged areas”.

Given the above benefits of promoting entrepreneurship and creating enterprises (albeit small and micro enterprises), this study attempts to establish the perceived and experienced barriers encountered by entrepreneurs in Mamelodi.

1.1 The Researcher’s Motivation

The motivation of the researcher is exploratory and attempts to identify and understand the barriers perceived and experienced by township entrepreneurship in establishing and running enterprises in townships, especially in Mamelodi.

Mamelodi and most other South African townships are characterised by high levels of unemployment and poverty (Melzer, 2006), and entrepreneurship is suggested to be the possible solution to these two social ills and towards economic development (OECD, 2003/2004). The researcher’s aim is to explore and determine from those who have established SMMEs, what the barriers are/were that they encountered or perceived in the process.

1.2 Research Question

What are the barriers that SMME entrepreneurs in the township of Mamelodi perceive and experience in establishing, sustaining and growing enterprises?

1.3 Problem Statement

“Under the right condition, a few small-scale businesses may grow into giants with a disproportionate impact on employment and wealth creation. Without a steady supply of entrepreneurship, South Africa is likely to stagnate and decline economically” (Rwigema & Venter, 2004:10).

The rate of unemployment and poverty in Mamelodi is high (63.6%), and the number of jobs created in the formal sector has not been able to meet the demand for gainful employment (Melzer, 2006). An alternative to formal employment is entrepreneurial activity, however, SMME entrepreneurs are encountering barriers in establishing, sustaining and growing enterprises.

1.4 Purpose of the research

Primary objective

This research aims to identify the barriers perceived and experienced by SMME entrepreneurs in the township of Mamelodi in establishing, sustaining and growing enterprises.

Secondary objectives

The following are the secondary objectives of this research:

- ❖ To identify the effects of these perceived barriers in terms of how the identified perceived barriers hinder the starting, maintaining and growing of an enterprise;
- ❖ To identify ways of dealing with or addressing these barriers;
- ❖ To identify initiatives by different stakeholders that are already in place to deal with these; and
- ❖ To contribute to the body of literature with regard to the chosen topic.

1.5 Literature Review

Cichello (2005) is of the opinion that more work in this field of research should be done, as this will help understand why 21.9% of potential labour force remains unemployed, instead of entering into some form of self employment.

Cichello (2005) identified potential barriers and/or hidden costs that may impact the decision process of individuals considering or currently engaged in self-employment activity in the Khayelitsha/Mitchell's Plain area in Cape Town. The following barriers were identified:

- ❖ Future-limiting barriers - which capture the notion that self employment choices today may limit labour supply choices in futures periods.
- ❖ Hidden cost barriers –that may include formal restrictions such as regulations and informal restrictions like gangs that mark and claim their territory. These can be referred to as hidden costs that an analyst may not typically include in an analysis. They may include loss of profit due to theft or extortion, and other related non- economic costs. These also include the loss of household resources one might lose access to after leaving the unemployment ranks, and the additional payments incurred once one makes oneself employed.
- ❖ Capital barriers - appear to be the primary deterrent to entry. However the author concedes that it is unclear whether this lack of capital induces lower participation due to:
 - ex-ante risk management strategies that induce the unemployed to remain unemployed, rather than face the variable income stream and/or downside risk associated with self employment; or
 - capital constrains that limit the liquidity these individuals have for initial capital investments.

- ❖ Skills barrier – lack of skills to operate a business have also been found to limit self employment activity, however, these hindrances appear to be of less importance than capital barriers.

Dust (2007) adds to the above and lists the following barriers:

- ❖ Cultural barriers- the importance of having a secure job is more important than actualising one's full potential. This has to do with the socio-economic history of our country.
- ❖ The cultural barriers can also include the societal roles as perceived culturally, i.e. women in business vs. the cultural role of women

Anon (2004) has also mentioned the following barriers:

- ❖ Hidden regulatory barriers such as the registering of business entities and compliance with certain regulations may create barriers to the market.

Cichello, Almeleh, Ncube and Oosthuizen (2006) found the following barriers into self-employment in Khayelitsha:

- ❖ Crime – the risk of the self employed being robbed or falling prey to thugs. This is indeed a concern where the majority is poverty stricken and they perceive starting a business as being uplifting, the would be entrepreneur becomes an easy target for crime which is in itself a symptom of the poverty (Self employment could help to eradicate this situation).
- ❖ High Structural cost – transport and infrastructural costs are considered here. Considering that the people come from a base where the capital as mentioned earlier, the capital to start a business is considered a major hindrance. Absorbing other costs may indeed also become too much to bear with the limited resources available.

- ❖ Fear of failure - this hindrance is more psychological and does not only apply to the poverty stricken people of townships but to most entrepreneurs. It is aroused by the risk concerned with leaving one's 'certain' comfort zone, and not knowing whether the new venture would work or not.

The above are among the barriers that have been identified in the literature review. However, the literature review seems to agree with our initial statement that entrepreneurship is a key to economic development (Greyling, 2007; Cichello 2005; Anon, 2004; Bell et al, 2004; Rwigema & Venter, 2004).

As can be seen, the barriers considered can vary from psychological to physical to regulatory. Considering that entrepreneurship leads to business enterprises, barriers to enter into markets should be considered as pioneered by Porter (1979:137-145), and discussed by Bateman and Snell (2007:52-59).

- ❖ Bargaining power of suppliers - enterprises must acquire resources (inputs) from their environment and convert those resources into products or services (outputs) to sell. Suppliers provide the resources needed for production or resale. Suppliers can raise their prices or provide poor quality goods and services. Enterprises are at a disadvantage if they become overly dependent on any powerful supplier. A supplier's bargaining power is powerful when the buyer has few other sources of supply, or if the supplier has many other buyers. Powerful suppliers can therefore create a barrier to entry or creation and running an enterprise.
- ❖ Bargaining power of customers - customers purchase the products or services an enterprise offers. Customers can therefore demand lower prices, higher quality, unique product specifications, or better service. They can also play competitors against one another. If a customer has many options to purchase from, or is the biggest customer of an enterprise, then this customer will have a greater bargaining power. This can be at the expense of the enterprise's profitability, therefore becoming a barrier to growth and sustainability.

- ❖ Competition – when enterprises compete for the same customers and try to win market share at the others' expense, all must react to and anticipate their competitors' actions. Thus the first step in understanding their competitive environment, is for enterprises to understand their competitors, for example, small local enterprises, strong big enterprises, new entries into the market or overseas firms. Failure to deal with or counter competition might result in closure of the enterprise. Therefore, competitors might be barriers to entry, or might threaten survival and growth of the enterprise.
- ❖ Threats on new entry in markets – new entrants into an industry compete with established entrants. If many factors prevent new companies from entering the industry, the threat to established enterprises is less serious. If there are few such barriers to entry, the threat of new entrants is more serious. Some major barriers to entry include government policy, capital requirements, brand identification, cost advantage, and distribution channels.
- ❖ Threats of substitutes - substitute products or services can limit another industry's revenue potential. Enterprises in those industries are likely to suffer growth and earning problems. This will serve as a barrier to growth and sustainability.

The above clearly indicates that not only might barriers be a hindrance to entry, but even when in business, there will still be hindrances and the need for skills training. Friederich (2004:51) maintains that there is a dire need for massive entrepreneurship training in South Africa. The author suggests that the training should deal with aspects of personal initiative, innovation and action strategies with an action learning approach.

The three other major areas that township SMME entrepreneurs indicated as high priority in terms of training, included in order of importance, firstly, keeping and interpreting financial records, secondly, marketing/ promotion and thirdly, obtaining financing (Anonymous, 2007:3).

6. Research Methodology

1.6.1 The introduction

Jupp (2006:265) defines a research design as a “design or strategy that justifies the logic, structure and the principles of the research methodology and methods and how these relate to the research question, hypothesis or proposition”.

The following research design is to be followed:

1.6.1.1 Scope of research

Scope is referred to the domain of the enquiry, the coverage and the reach of the project. Scope involves both the substantive area of inquiry (the limits of the research topic), and the areas to be reached (the setting and the sample) (Richards & Morse 2007: 76).

The scope of the research based on the above definition includes SMMEs operating the retail and service sectors in demarcated business areas in Mamelodi. The businesses that will qualify to participate in the study, will be identified on the basis that they meet the SMME criteria, the focus being on small and/or very small businesses, as already defined according to the National Small Business Amended Act (No. 29 of 2004).

1.6.1.2 Purpose of research

The purpose of the research is to identify barriers as perceived by SMME entrepreneurs in starting, sustaining and growing their own enterprises.

1.6.1.3 Type of research

The type of research that will be conducted in this study is qualitative research. Adams, Khan, Reaside and White (2007:26) describe qualitative research as a research methodology that employs methods of data collection and analysis that are non-quantitative, aim towards the exploration of social relations, and describe reality as experienced by the respondents.

Face-to-face interviews will be undertaken by the researcher using a structured interview schedule to collect the data. May (2002:225) postulates that in qualitative research, interviews involve some form of a 'conversation with a purpose'. The style is conversational, flexible and fluid, and the purpose is achieved through active engagement by the interviewer and interviewee around relevant issues, topics and experiences during the interview itself. Kvale in Cassell and Symon (2004:11) defines the qualitative research interview as "an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena. The goal of any qualitative research interview is therefore to see the research topic from the perspective of interviewees, and to understand how and why they come to have this particular perspective".

Further expansion with regard to the type of research is provided in Chapter 3.

1.6.1.4 The research population

Bryman and Bell (2007: 182) define a research population as "the universe of units from which the sample is to be selected". The research population in terms of this study will be SMMEs with specific focus on small and/or very small entrepreneurs operating businesses in the retail and service sectors, and operating from demarcated business areas in Mamelodi.

1.6.1.5 Sample

A sample is the segment of population that is selected for investigation (Bryman & Bell, 2007: 183). A non-probability sampling method will be used. Bryman and Bell (2007: 183) explain that non-probability sampling involves human judgement in the selection process of a sample. The specific non-probability technique that will be employed in this study will be purposive sampling. De Vos, Strydom, Fouche and Delport (2005: 202) explain that this type of sample is entirely based on the judgement of the researcher, in that a sample is composed of elements that contain the most characteristics, representative of typical attributes of the population.

A sample of thirty will be chosen. This will be chosen from the purposive list to be created by the researcher according to criteria already mentioned. A sample of thirty is regarded as sufficient in a qualitative study with a non-probability sample to give a representative view of the population, and also big enough to justify the size of study.

1.6.1.6 Data collection



The research as mentioned is qualitative and a face to face standard, structured research interview will be conducted with each respondent. The researcher will hold one on one interviews with the owners/entrepreneurs within the space of one week.

1.6.1.6.1 The Instrument

The researcher will also use an interview schedule which will contain structured research questions to be posed to respondents.

1.6.1.6.2 Type of questions

Questions to be asked will include amongst others demographic and open- and closed-ended questions.

1.6.1.6.3 Recording the data

The data that will be collected will be the answers given by the respondents. This is referred to as primary data, as already alluded to earlier in the chapter.

The interviewer will use two methods in recording the data – firstly, the interviewer will take notes during the interview, as well as utilise a digital audio recorder to record the responses that will be given by the respondents.

1.6.1.6.4 Data analysis

This is important with this research as a recording will be used during the interview. The preparation will therefore entail transcription of the notes and recordings.

Shaw (in Havinge, 2007: 12) proposes a data analysis process that the researcher will follow for this study. The process has four phases:

1. Analysis on site – in the field when collecting data.
2. Run the data open – transcription and initial analysis of interviews and field notes.
3. Focus analysis - constant comparison of emerging themes and categorising of core codes.
4. Deepen analysis – compare substantive findings with established concept in literature.

This process also has the benefit of reducing errors in the data collected, enhancing consistency, reliability and validity.

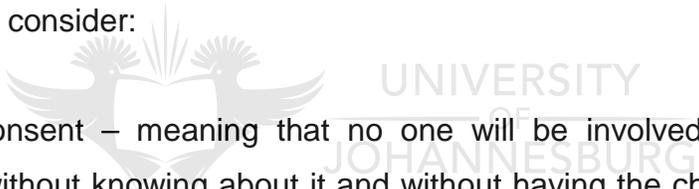
1.6.2 Validity, reliability and practicality

Gibbs (2007:91) defines validity as “explanations or responses being really true or accurate and correctly capturing what is actually happening”, and defines reliability as “whether the results are consistent across repeated investigations in different circumstances with different investigators”.

The respondents will be assured of their privacy and confidentiality during the study. The usability of the interview schedule will be tested with the undertaking of a pilot study.

1.6.3 Ethical consideration

Flick (2007: 68) proposes the following basic principles of ethical considerations that the researcher will also consider:

- 
- ❖ Informed Consent – meaning that no one will be involved in research as a participant without knowing about it and without having the chance of refusing to take part.
 - ❖ Deception - deception of research participants (by covert observation or by giving them false information about the purpose of the research) will be avoided.
 - ❖ Privacy – participants’ privacy will be respected and confidentiality will be guaranteed and maintained.
 - ❖ Accuracy – accuracy of data and the interpretation therefore will be the leading principle, which means that no omission of information or fraud with the collection or analysis of data will occur in the research practice.
 - ❖ With regard to the participants, respect for the person will be seen as essential.

1.6.4 Pilot Study/Pretesting

The exploratory nature of this study necessitates a pilot study, which will help address the limitation to the study, as well as help refine the research process. A pilot study will therefore be conducted on a pilot sample of 3 respondents, which comprises 10% of the research sample.

1.7 Division of study

Chapter 1 - Introduction

The background to the study will be discussed in the introduction, and so will the problem statement, purpose for research and the outline of the remainder of the research so as to introduce and familiarise the reader with the research undertaken.

Chapter 2 - Literature Review

The following will be discussed: introduction of the literature, areas reviewed, the research question interrogated and a conclusion with regard to the literature review suggested.

Chapter 3 - Research Methodology

The introduction to the methodology and the logic behind it will be discussed, the research design, the research population, the sample (size and methodology), the research instruments, data collection, data analysis, validity and reliability and ethical consideration are to be considered in this chapter.

Chapter 4 - Presentation of Results

Introduction to the chapter on what is to follow, presentation of results - answering the research question.

Chapter 5 - Interpretation of Results

An introduction, issues identified, findings linked to literature, limitations of study and conclusion.

Chapter 6 - Conclusion and Recommendations

A brief summary of research objectives, major findings, recommendations and suggestions for further research will be discussed in this chapter.



CHAPTER 2

Literature Review

2.1 Introduction

This chapter reviews the literature that currently exists with regard to barriers or perceived barriers experienced by small-, medium- and micro enterprises (SMMEs) in general, and in the context of township SMMEs in South Africa. The chapter firstly explores the nature of SMMEs and the link between SMMEs and entrepreneurship, and how SMMEs come into being. The chapter then gives background to the socio-economic landscape of South Africa, and discusses what literature suggests the contribution of SMMEs can be to both the social and the economic state of the country. Thereafter, the chapter discusses the barriers or perceived barriers that hinder the establishment, the sustaining and growing of SMMEs. Lastly, the chapter attempts to establish which programmes or solutions currently exist to address these barriers.

2.2 The definition of SMMEs



In terms of the South Africa's National Small Business Amended Act (No 29 of 2004), a small business enterprise is a separate and distinct business entity including co-operative enterprises and non-governmental organisations, managed by one or more owners. The size of which lies within specific thresholds that classify whether the business will be categorised as micro, very small, small or medium. The Act offers the classification set out in **Table 2.1**

Table 2.1 Classification of SMMEs by sector or Sub-sector

| Sector or subsectors in accordance with the Standard Industrial Classification | Size or class | Total full-time equivalent of paid employees less than... | Total annual turnover less than... | Total gross asset value (fixed property excluded) less than... |
|--|---------------|---|------------------------------------|--|
| Agriculture | Medium | 120 | R 4.00 m | R 4.00 m |
| | Small | 50 | R 2.00 m | R 2.00 m |
| | Very small | 10 | R 0.40 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Mining and Quarrying | Medium | 200 | R30.00 m | R18.00 m |
| | Small | 50 | R 7.50 m | R 4.50 m |
| | Very small | 20 | R 3.00 m | R 1.80 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |

| | | | | |
|--|------------|-----|----------|----------|
| Manufacturing | Medium | 200 | R40.00 m | R15.00 m |
| | Small | 50 | R10.00 m | R 3.75 m |
| | Very small | 20 | R 4.00 m | R 1.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Electricity, Gas and Water | Medium | 200 | R40.00 m | R15.00 m |
| | Small | 50 | R10.00 m | R 3.75 m |
| | Very small | 20 | R 4.00 m | R 1.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Construction | Medium | 200 | R20.00 m | R 4.00 m |
| | Small | 50 | R 5.00 m | R 1.00 m |
| | Very small | 20 | R 2.00 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Retail and Motor Trade and Repair Services | Medium | 120 | R30.00 m | R 5.00 m |
| | Small | 50 | R15.00 m | R 2.50 m |
| | Very small | 10 | R 3.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Wholesale Trade | Medium | 120 | R50.00 m | R 8.00 m |
| | Small | 50 | R25.00 m | R 4.00 m |
| | Very small | 10 | R 5.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Commercial Agents and Allied Services | Medium | 120 | R50.00 m | R 8.00 m |
| | Small | 50 | R25.00 m | R 4.00 m |
| | Very small | 10 | R 5.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Catering | Medium | 120 | R10.00 m | R 2.00 m |
| | Small | 50 | R 5.00 m | R 1.00 m |
| | Very small | 10 | R 1.00 m | R 0.20 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Transport | Medium | 120 | R20.00 m | R 5.00 m |
| | Small | 50 | R10.00 m | R 2.50 m |
| | Very small | 10 | R 2.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Storage | Medium | 120 | R20.00 m | R 5.00 m |
| | Small | 50 | R10.00 m | R 2.50 m |
| | Very small | 10 | R 2.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Communications | Medium | 120 | R20.00 m | R 5.00 m |
| | Small | 50 | R10.00 m | R 2.50 m |
| | Very small | 10 | R 2.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Finance | Medium | 120 | R20.00 m | R 4.00 m |
| | Small | 50 | R10.00 m | R 2.00 m |
| | Very small | 10 | R 2.00 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Business Services | Medium | 120 | R20.00 m | R 4.00 m |
| | Small | 50 | R10.00 m | R 2.00 m |
| | Very small | 10 | R 2.00 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Community | Medium | 120 | R10.00 m | R 5.00 m |
| | Small | 50 | R 5.00 m | R 2.50 m |
| | Very small | 10 | R 1.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Social and Personal Services | Medium | 120 | R10.00 m | R 5.00 m |
| | Small | 50 | R 5.00 m | R 2.50 m |
| | Very small | 10 | R 1.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |

Source: National Small Business Amended Act (29 of 2004)

Note – highlighted sectors indicate those sectors that are represented in the study

2.3 The importance of SMMEs

Phaho (2008:55) states that in the South African context, the imperative for rapid economic growth is acute. Previous government apartheid policies have led to vast racial economic disparities and unacceptably high unemployment rates, which threaten social cohesion. The policies which deliberately excluded large sections of the population from formal economic activity, have resulted in a low level of entrepreneurial activity in South Africa.

The promotion of SMMEs is the focus of considerable interest in South Africa and many other countries. The current government has explicitly identified the promotion of SMMEs as a policy imperative for addressing challenges of poverty and unemployment, as SMMEs are regarded as an important source of jobs. SMMEs also contribute significantly to the economic growth of any country and the advancing of national and individual prosperity. The transition and prosperity in most nations has recently mainly been through SMMEs. If countries in Africa are to emerge from poverty and unemployment and create a more prosperous future, they will need more SMMEs. However, if this is to be achieved, entrepreneurs need an environment that is more conducive to starting up, operating and expanding their business (Mahadea & Pillay 2008:431).

Selai (2004:3) indicates the following, amongst others, as the reasons why SMME are so important to any country:

- ❖ SMMEs are able to create a capacity to absorb labour, albeit largely unskilled labour.
- ❖ SMMEs are generally locally owned and controlled, and can strengthen the extended family and other social systems and cultural traditions.
- ❖ In South Africa, where non-whites were historically discouraged from owning businesses, the first attempts to own a business are likely to be informal, small, micro or medium.

- ❖ SMMEs provide a training and proving ground for entrepreneurship and innovation.
- ❖ The products of SMMEs tend to reflect local technology and are arguably more likely to satisfy the needs of poor people, than what would be the products of large enterprises and foreign technology.
- ❖ Due to the fact that the profits of SMMEs are not dependent on long production runs, SMMEs can manufacture smaller quantities of products, which are targeted at a regional or even local market level only.
- ❖ SMMEs satisfy local needs not only by making differentiated products, but also by being scattered around the country. This ensures a more equitable distribution of employment opportunities, with the result that raw material producers are more likely to find local markets.
- ❖ Local technology is more likely to use locally produced raw material and equipment, and this will lead to the saving of foreign exchange, which in turn is beneficial to the economy.
- ❖ SMMEs provide employment and expand the entrepreneurial talents of women.
- ❖ SMMEs tend to utilise less capital (which is a scarce resource) than large firms. They also require appropriate management skills, which are scarce in Third World situations.
- ❖ SMMEs are likely to be more resilient to depression and offer a steadier level of employment than large businesses. Their activities and locations are diverse, they depend on a wide variety of sources and types of raw material, and their owners are likely to stay in business and maintain at least some activity and employment in conditions where large businesses would have closed down, shed jobs or disinvested.

Clover and Darroch (2005:238) also state that “SMMEs in a market economy may develop markets, accumulate capital through trading and develop commercial culture and skills within a region. SMMEs may also diversify an economy dominated by only a few industries, create jobs and complement larger firms in raising productivity. Successful SMMEs have the potential to stimulate demand for investment or capital

goods, and upgrade human capital when large enterprises in the secondary and tertiary sectors release unskilled labour that SMMEs may employ. An SA study shows that people employed in the SMMEs are more likely to start their own businesses”

The existence of entrepreneurial firms in a region helps spur the establishment of even more such firms (Barth, Yago & Zeidman, 2006).

Over and above the benefits or the importance of SMMEs stated above, the following figures show the contribution of SMMEs towards the South African economy.

Figure 2.1

Percentage of SMMEs as compared to other businesses on South Africa - 98%

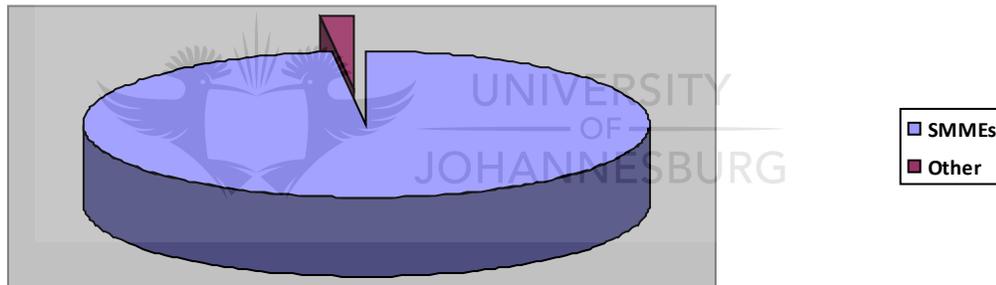


Figure 2.2

Percentage contribution to GDP contributed by SMMEs - 37%

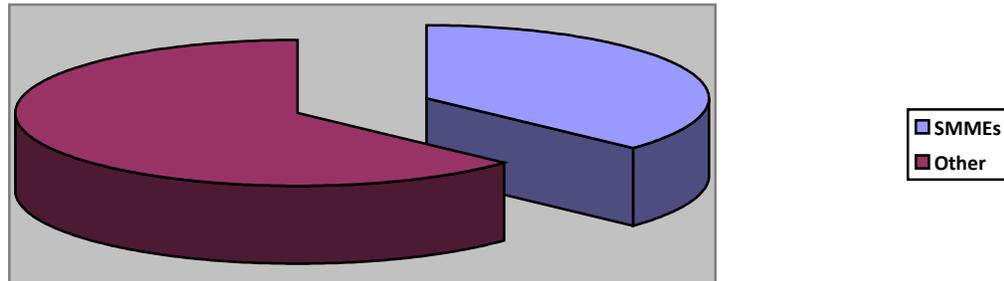
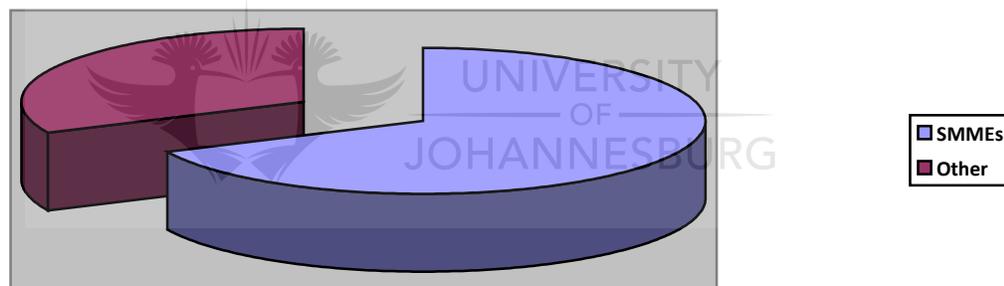


Figure 2.3

Percentage of labour force employed in SMMEs - 68%



The SMME sector in South Africa constitutes 98 per cent of all business, contributes 37 per cent of gross domestic products, and employs 68 per cent of the country's labour force (Anonymous 2007).

2.4 Entrepreneurship and the formation of SMMEs

The relation between entrepreneurship and SMMEs has been briefly discussed in Chapter 1. Nieman (2006:4) states that SMME establishment requires entrepreneurial action for the start-up. The small business enterprise is often described as the natural home of entrepreneurship. It provides the ideal environment enabling entrepreneurs to exercise their talents to the full, and to attain the goals and objectives they have set for themselves (Vosloo, 1994:159).

Given the link between SMMEs and entrepreneurship, it is important to also discuss the concept of entrepreneurship.

2.4.1 Entrepreneurship

Rwigema and Venter (2004:5) highlight that entrepreneurship is defined in various ways by various people. The following definitions are provided:

- ❖ 'Entrepreneurship is the act of forming a new organisation' (Bateman & Snell in Rwigema & Venter, 2004:5).
- ❖ 'Entrepreneurship is the seemingly discontinuous process of combining resources to produce new goods or services' (Stoner, Freeman & Gilbert in Rwigema & Venter 2004:5).
- ❖ '...the creation of new enterprise' (Bartol & Martin in Rwigema & Venter, 2004:5).
- ❖ '...the creation of an innovative economic organisation for the purpose of gain under conditions of risk and uncertainty' (Dollinger in Rwigema & Venter 2004:5).
- ❖ '...the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence' (Hisrich & Peters in Rwigema & Venter 2004:5).

For the purposes of this paper, a definition by Nieman and Nieuwenhuizen (2009:9) is adopted, stating that “Entrepreneurship is the emergence and growth of new businesses. The motivation for the entrepreneurial activities is to make profit. Entrepreneurship is also the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market. In the process entrepreneurs create value for themselves and the society”.

Baron and Shane (2005:7) suggest that in order to understand entrepreneurship as an activity, it is essential to consider: the economic, technological, and social conditions from which opportunities arise, the people who recognise these opportunities, the business techniques and legal structures that they use to develop them, and the economic and social effects produced by such developments.

Entrepreneurial activity is either undertaken by an individual or a group of individuals. These individuals are referred to as entrepreneurs. To an economist, an entrepreneur is one who brings resources and other assets into combinations that make their value greater than before, and also one who introduces changes, innovation and a new order. To psychologists, such a person is typically driven by certain forces – the need to attain something, to experiment, to accomplish, or perhaps to escape the authority of someone else or a particular situation (Hirsh, Peter & Sherpard, 2008:8).

Rae (2007:28) lists entrepreneurial attributes as follows:

- ❖ Initiative
- ❖ Strong persuasive powers
- ❖ Calculated risk-taking
- ❖ Flexibility
- ❖ Creativity
- ❖ Independence
- ❖ Problem-solving ability
- ❖ Need for achievement
- ❖ Imagination
- ❖ High belief in control of one's destiny
- ❖ Leadership
- ❖ Hard work

Deaking and Freel in Mauritz (2005:42) caution against the personality characteristics/attributes approach stating that it:

- ❖ Ignores environmental factors that may be important and impact personality; and
- ❖ Ignores the role of learning, preparation and serendipity in the process of entrepreneurship.

Rae (2007:29) also cautions against only considering the personality or traits-based approach, and adds that “the ‘clue’ to entrepreneurial behaviour lies in cultural, family and social class background”. Rae (2007:29) also emphasises the need for achievement, self-efficacy, intentionality, self-actualisation, and drive to achieve and grow as motivators from implicit personality or learned experiences. Rae (2007:30) also highlights education and its important role in the creation of the ‘enterprise culture’ by encouraging the teaching and development of enterprise skills and behaviours. Education is assumed to stimulate entrepreneurial action within a supportive enterprising environment. Jack and Anderson in Rae (2007:30) suggest that entrepreneurial learning can be enriched through, for example, role models, personal networks and apprenticeship placements within firms.

According to Greyling (2007:10), individuals start a business for two main reasons, namely, to exploit a perceived opportunity (whether the opportunity is in the market place, or there is an opportunity to lead to a different lifestyle or earn more money), or they are pushed into entrepreneurship because all other options for work and earning a living are either absent or unsatisfactory. Thus, entrepreneurship can be termed as being Opportunity Entrepreneurship or Necessity Entrepreneurship.

Tang and Kovoos (2004) distinguish between Venture Entrepreneurship, defined as “any attempt at new business or new venture creation such as self-employment, new business organisation, or the expansion of an existing business by an individual, team of individuals, or established businesses”, and Innovative Entrepreneurship which “emphasises invention and technological advancement embedded in the economic unit”.

Rwigema and Venter (2004:13) refer to pull and push factors that motivate people to enter into entrepreneurship. Pull factors include, amongst others, the profit motive, challenge, and the desire for independence, whilst push factors include, amongst others, negative factors associated with current work environment (poor remuneration, poor prospects, lack of innovation in the work place), lack of alternatives stemming from unemployment, retrenchments and lack of job opportunities.

This study places more emphasis on Necessity Entrepreneurship and/or Venture Entrepreneurship as defined above.

Regardless of the type of entrepreneurship drawing people to entrepreneurial activity, many authors (Kunene 2008, Baron & Shane 2005, Rwigema & Venter 2004) agree on the entrepreneurial processes that need to take place for the establishment of entrepreneurial enterprises. The process stated by Baron and Shane (2005:9-11) is as follows:

- 
- ❖ Idea and/or recognitions of an opportunity
 - ❖ Deciding to proceed and assembling the essential resources
 - ❖ Launching the new venture
 - ❖ Building success
 - ❖ Harvesting the rewards

Zimmerman, Scarborough and Wilson (2008:8) propose that the benefits of entrepreneurship for the entrepreneur include: “opportunity to reach your own destiny, opportunity to make a difference, opportunity to reach your full potential, opportunity to reap profits, and opportunity to contribute to society and be recognised for your efforts”. Further, when entrepreneurs establish business enterprises there are other benefits that are created, and these are discussed later on in this paper.

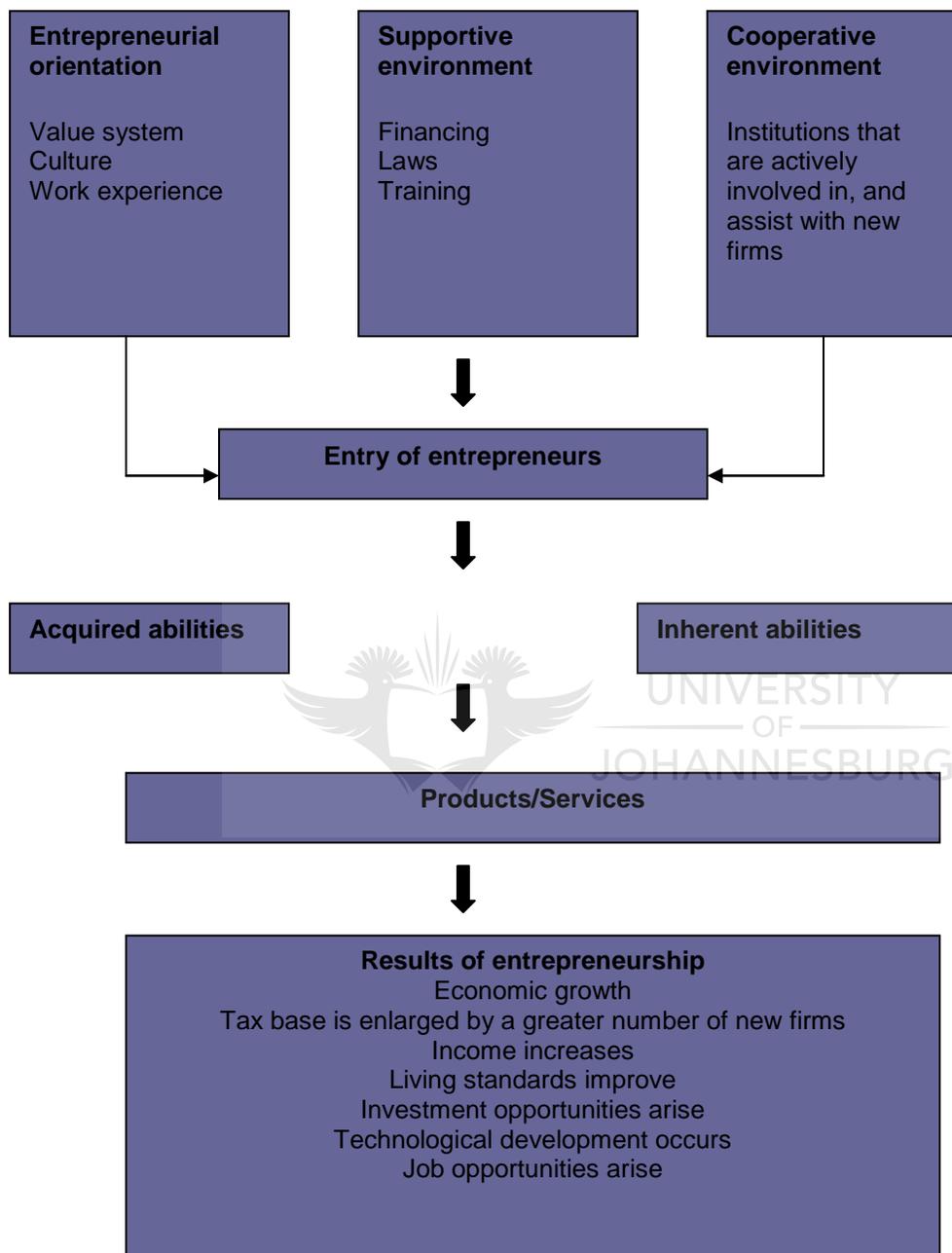
The above information suggests a link between the entrepreneur, entrepreneurship and start-up enterprises (or SMMEs). However, an enabling environment is required for the existence of enterprises. Within this environment barriers can exist which may hinder the establishment, growth and sustainability of enterprises. This environment is discussed next.

2.4.2 The formation of SMMEs

Nieman and Nieuwenhuizen (2009:11) present a model of entrepreneurial development.

The model proposes the factors that are regarded as important in the successful establishment, growth and sustainability of entrepreneurship which leads to the formation of SMMEs. Mahadea and Pillay (2008: 432) concur by stating that in order to fully realise the growth potential of an SMME economy, the internal and external environment should be supportive of entrepreneurial activity. Businesses are neither independent nor completely isolated from the internal and external environment within which they function. This model will therefore form the basis of the literature review in this chapter.

Figure 2.4 Model of entrepreneurial development



Source: Nieman and Nieuwenhuizen (2009: 11)

Nieman and Nieuwenhuizen (2009:11-13) explain the model as follows:

2.4.2.1 Entrepreneurial Orientation

The authors state that entrepreneurial orientation is critical to the survival and growth of enterprises, as well as the economic prosperity of nations. Entrepreneurial orientation is regarded as crucial for the processes of entrepreneurial development at the societal level of countries. Entrepreneurial orientation is fostered by a unique blend of factors such as culture, family and role models, education, work experience and personal orientation.

2.4.2.2 Supportive Environment

In modern society, the environment should create a climate favourable for the entry of entrepreneurs. Some decisive factors in a supportive environment are the possibility of financing for SMMEs, the training and development of entrepreneurs, the availability of infrastructure, and the legal restrictions in the economic environment.

2.4.2.2.1 Finance

Finance is an important resource in new venture creation. Financing must be available and is mostly supplied by ordinary institutions such as banks. However, there also have to be institutions that are prepared to make a certain amount of venture capital (risk capital) available. Government institutions should be actively involved in assisting the development of entrepreneurship by financing schemes and providing other means available.

2.4.2.2.2 Training and development

Training and development programmes should include views on entrepreneurship, and encourage entrepreneurship. A positive attitude to taking calculated risk should be

cultivated, and information about management processes should be given. The criticism is sometimes expressed that the education and training system in South Africa prepares people to be job seekers and not job providers.

2.4.2.2.3 Infrastructure

Facilities such as roads, bridges and telecommunication networks must exist before there can be any economic activity at an advanced level.

2.4.2.2.4 Regulation

Deregulation of certain economic activities enables the private sector to engage in activities that were not previously open to it. Restrictions of free trade areas, other trading restrictions and overabundance of legal regulations and rules may discourage entrepreneurs from exploiting business opportunities.

Ligthelm and Dockel (2005) postulate that the success of SMMEs is guided by the integration of the *intention* of the owner-manager, assisted by factors associated with the *ability* of the specific business to grow and its *opportunity* for growth.

- ❖ **Intentions:** shaped by demographic variables, and personal characteristics, values and beliefs of the entrepreneurs;
- ❖ **Ability:** relating to factors internal to the business such as education level, business management skills, learning through social and informal networks, the potential of the product or service provided by the business, and its assets and premises; and
- ❖ **Opportunities:** determined by growth factors outside the business such as market conditions, access to finance, public sector regulations and the labour market conditions.

The above aspects provide an indication of the factors that are required for the establishment, sustainability and growth of SMMEs. The factors as indicated, range from personal or internal factors to external factors. The barriers or perceived barriers in both these spheres are discussed next as indicated in literature.

2.5 Barriers to entrepreneurship

2.5.1 Barriers with regard to Entrepreneurial Orientation

Kunene (2008:4) summarises the South African entrepreneurial environment and its barriers to entrepreneurial orientation as follows:

- ❖ South Africa has the lowest entrepreneurial activity rate of all the developing countries.
- ❖ In general, South Africans are not socialised to become entrepreneurs, but to enter into the labour market as employees, a point emphasised by Nieman and Nieuwenhuizen (2009). Dust (2007) states that cultural barriers created by the past imply that for most South Africans, the importance of having a secure job is more important than actualising one's full potential. Cichello (2005) refers to the "future-limiting barriers", which capture the notion that self employment choices today are seen to limit labour supply choices in future periods.
- ❖ Furthermore, due to the distortions created by apartheid, the supply of entrepreneurs is socially skewed, with the black population lagging behind the whites in entrepreneurship. It is estimated that 1.4 per cent of Africans are entrepreneurs, compared with 7.5 per cent of the whites. Rwigema and Venter (2004:14) concur, stating that social and economic circumstances continue to impact the supply and quality of entrepreneurship. Factors like education, culture, and family background have been found to spur (or retard) entrepreneurship in various communities.
- ❖ The highest percentage of black SMMEs is in the survivalist class, where returns are very low and limited. Survivalist enterprises are defined as "enterprises found

mainly in the informal sector and operated by unemployed people. They are characterised as outfits where no training takes place, and opportunities for growth into viable business are limited” (Akrong, 2003:9).

- ❖ Most of the South African population remains excluded from the formal economy, as they lack collateral to secure start-up and running capital, and are thus considered too risky for many financiers.
- ❖ The apartheid system also created an under-educated black majority, denying black people skills that are vital for the success of SMMEs

The entrepreneurial culture within townships is negatively impacted due to the fact that policy makers of the past have not encouraged entrepreneurship, have not provided an education, training or development system, and have not provided the infrastructure that empowered township entrepreneurs towards a culture of entrepreneurship. Racial discrimination against African-Americans in America has also been found to be a barrier to entrepreneurs and the establishment of SMMEs (Barth et al 2006).

However, the cultural barriers go beyond those that are caused by previous policy makers, Dust (2007) also emphasises societal roles as perceived culturally, especially within the African society as cultural barriers to entrepreneurship. The perceived cultural role of women is one of these barriers. Botha (2006:116) postulates that African women have been the most disadvantaged when it comes to entrepreneurial activities. Not only were they also affected by the apartheid systems, but they were also affected by cultural constraints and cultural role expectations. As a result, women did not own assets, or for that matter, even operate bank accounts. This has created even higher barriers for women who do not even have the assets required for collateral, or the track record required when seeking capital.

Nieman and Nieuwenhuizen (2009:39) indicate that some of the challenges experienced by women entrepreneurs include:

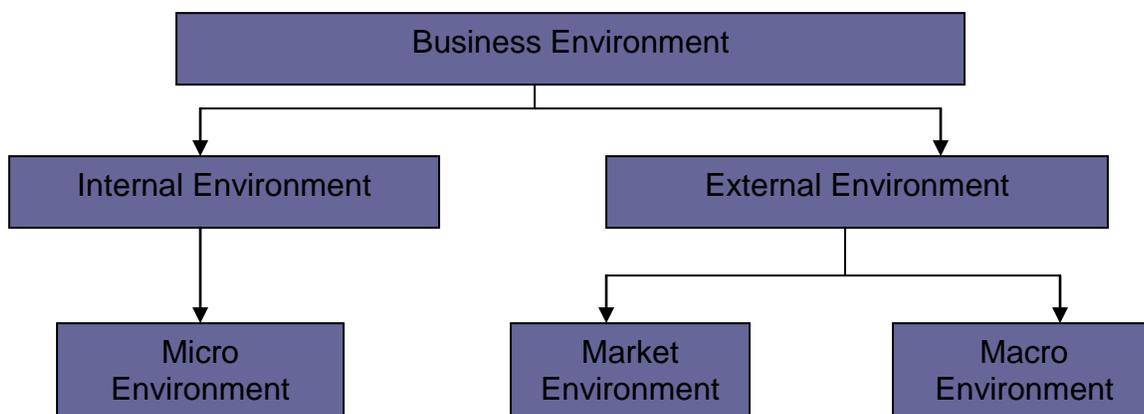
- ❖ Lack of support structures
- ❖ Negative prevailing socio-cultural attitudes

- ❖ Balancing business and family responsibilities
- ❖ Gender discrimination and bias

2.5.2 Barriers in the supportive environment

Nieuwenhuizen (2004:18) states that business enterprises cannot exist in isolation. Their activities are influenced by certain controllable and uncontrollable variables. These variables occur in the environment in which the business enterprise functions. This is called the business environment. The business environment comprises all the factors that can positively and/or negatively (barriers) affect the establishment, growth and survival of an enterprise. The business environment therefore promotes or impedes the enterprise objectives. The business enterprise has an internal and external business environment. The internal environment is the enterprise itself, which is referred to as the micro environment. The external environment is the part of the business environment outside the enterprise. It consists of the market and macro environment. Barriers are therefore found within the macro-, market and micro environment, as will be discussed next and adopted by Kunene (2008).

Figure 2.5 The business environment



Source: Nieuwenhuizen (2004:19)

Cant and Erdis (2005:36) concur and group the barriers to conducting a successful SMME in three categories:

- Economic-based barriers which fall under the macro environment, associated with national economic factors;
- Industry-based barriers which fall under the market environment, associated with the industry in which the organisation operates; and
- Organisation-based problems which fall under the micro environment and refer to internal factors within the organisation.

They postulate that organisation-based barriers are associated with the majority of SMME failures.

Kunene (2008) identifies factors that can be found within the macro-, market- and internal/micro environments that affect the success and/or survival of SMMEs.

Table: 2.2 Barriers in the macro-, market- and internal environment

| Macro Environment | Market Environment | Internal environment |
|---|---------------------------|---|
| Economic Factors <ul style="list-style-type: none"> ❖ Enterprise density ❖ Inflation ❖ Interest rates ❖ Unemployment ❖ Exchange rates ❖ Taxation | Market Conditions | Company demographics <ul style="list-style-type: none"> ❖ Size of firm ❖ Age of firm and product |
| Political-Institutional Factors <ul style="list-style-type: none"> ❖ Macro-economic policies ❖ Cost of compliance ❖ Public support ❖ Political instability | Demand for supply | Human Capital |
| Socio-Cultural Factors <ul style="list-style-type: none"> ❖ Access to public infrastructure ❖ Access to money and capital ❖ Access to technology | Access to markets | |

| | | |
|--|----------|--|
| <ul style="list-style-type: none"> ❖ Access to labour ❖ Access to other economic resources ❖ Crime ❖ Health ❖ Role models | | |
| | Location | |

Source: Kunene (2008)

2.5.2.1 Macro Environment

The macro environment includes the enterprise and the market environment, and consist of all the uncontrollable variables and factors outside the enterprise that have a favourable or adverse effect on the enterprise (Nieuwenhuizen, 2004:26).

2.5.2.1.1 Economic Factors

Economic factors can have an influence or serve as barriers in the establishment, growth and sustainability of SMMEs

❖ Enterprise Density

Enterprise density is defined as the number of firms in a given population at a given time, and refers to the percentage of existing and potential entrepreneurs. In South Africa the enterprise density is low, and therefore not a barrier, as South Africa has capacity for more enterprises to exist. Ladzani and van Vuuren (2002) support this statement and indicate that the enterprise density in South Africa is 2 per cent (calculated as the number of people in the population for which self employment is the primary source of household income per 100 people), whilst the enterprise density in the United States of America is 2.8 per cent, 3.3 percent in Germany, and 5.9 percent in Italy. A distinction is made between rural and urban enterprise density in South Africa. Where some provinces are more rural it is found that enterprise density is low, and others are more urban, it is found that enterprise density is higher. Ladzani and van

Vuuren (2002) argue that in general, relatively low enterprise density in South Africa should offer ample opportunities for enterprise development.

❖ Inflation

Inflation has an effect on SMMEs. South Africa's inflation figure of 6.7% (which is just outside the 3-6% threshold targeted by the government) in mid 2009, means that as the value of wealth decreases, consumers reduce their spending and thus there are limited opportunities for SMMEs.

While the above statement appears to be contradictory to the discussion regarding enterprise density above, it is to be considered that the enterprise density figures are stated comparatively to other countries, as per literature. The effects of the barriers in this particular study are to be determined by the research to be undertaken.

❖ Interest rates

Interest rates facilitate access to capital, and thus resources required for entrepreneurship. South Africa's relatively high 10.5% prime rate (in mid 2009) limits consumption rates and the amount of capital that can be raised.

❖ Unemployment

As a result of unemployment, earnings of the population are limited and markets are naturally limited. This affects SMMEs in that spending power is minimised, resulting in lesser need for new businesses as some existing businesses are closing down.

❖ Exchange rates

With the South African rand being relatively weak, there are more opportunities in the export market, but there is also less capital to invest in the local SMMEs. However, at

present the rand appears relatively high against the dollar (R7.39 against \$1 as on 15 September 2009), and Cohen (2009) writes that this is impacting negatively on the South African economy as South African exporters' international competitiveness is eroded by the strengthening of the rand, and exports are therefore reduced. On the other hand, arguments for a stronger rand exist with advantages amongst others stated as the strong rand contributing to the slowdown in imported goods inflation, allowing South African producers to import means of production (machines and equipment) at a lower price, leading to increased and improved production (Anonymous, 2003).

❖ Taxation

One of the key factors inhibiting SMME development in South Africa is taxation. If tax rates are high, the profit incentive is reduced drastically. In South Africa, the costs associated with meeting VAT and corporate tax are among the highest in the world. The complexity of the tax system further raises the cost of doing business, as many SMMEs do not have the capacity to administer tax returns and thus need to consult experts (at for a fee) in order to meet these legal requirements.

Mahadea (2008) adds that SMMEs have to comply with numerous tax issues, and these impose a heavy burden on the owner in terms of finance, administration and paperwork, and time. The taxes include, amongst others, VAT, income tax, the Unemployment Insurance Fund (UIF) and the Skills Development Levy. Other impacts of tax on the SMMEs include:

- The impact on the cash flow of the business of paying tax;
- Tax takes money out of business that could have been used for investment purposes;
- Penalties for late payment are excessive;
- A competitive advantage is gained by businesses that perhaps avoid tax.

2.5.2.1.2 Political-Institutional Factors

The political and legal requirements of conducting business can be a possible enhancer or a major stumbling block to the development of entrepreneurship and SMMEs.

❖ Macro-economic policies

Macro-economic policies, legislation frameworks, regulations and laws are factors that can facilitate or hinder entrepreneurship developments and the establishment of SMMEs. Appropriate trade, labour, investment and tax policies and regulations can provide an enabling environment that encourages investment and sustainability of entrepreneurs as the new source of wealth and job creation in the economy. In South Africa, some of the regulatory laws are considered a threat to the SMME sector.

❖ Cost of compliance

Most SMME owners/managers feel they lack capacity to deal with government requirements in general. In South Africa; the cost of compliance with legislation is high and is seen as a threat to the SMME sector and entrepreneurship.

❖ Public support

The government's SMME support programmes could ensure that SMMEs get ongoing support in the form of knowledge and expertise to ensure the growth of the business beyond the initial incubation and early survival. Lack of public sector support has a negative impact on entrepreneurship development in a country.

❖ Political instability

Regional political instability such as the political unrest in Zimbabwe, South Africa's political predominance in the region, a disintegrated regional economy, and the

instability of emerging markets all negatively affect the business environment, with many SMMEs from the region flooding into South Africa and increasing competition for local SMMEs.

2.5.2.1.3 Socio-cultural Factors

The socio-cultural conditions reflect the country's stage of development. These social conditions and aspects of the country's culture may create environmental goodwill which benefits SMMEs, or may present pressures that stifle entrepreneurship.

❖ Access to public infrastructure

Access to public physical infrastructure services includes water, electricity, serviceable roads, telecommunication, telephones, electronic media and postal services which are all crucial for business start-up, development and growth. Limited access to public infrastructure service is a major constraint to SMMEs' survival and growth, as it limits operations and restricts access to markets and raw materials.

❖ Access to money and capital

The availability of appropriate economic resources is important to business developments. This enables SMMEs to secure the necessary expertise and raw materials to put entrepreneurial ideas into practice, to be competitive, to survive during unfavourable conditions and to grow. The lack of capital and limited access to finance are a factors inhibiting entrepreneurship and influencing growth negatively, as they impede the progress that comes from timeous application of resources.

For South Africa's disadvantaged societies, access to finance remains very limited, as financial institutions like banks are very conservative and risk averse (especially in the current economic climate). These financial institutions normally avoid SMMEs that are

considered risky and have no collateral or dependable track records. The cost of capital is also considered too high if capital can be secured by SMMEs.

According to various authors (Mahadea, 2008; Barth et al, 2006; Mutezo, 2005) lack of access to finance is ranked among the top constraints of business development in South Africa. This is partly because financial institutions not only find SMMEs high-risk ventures with poor collateral, but also because lending to SMMEs entails high administrative costs in relation to the loans. The majority of SMMEs therefore raise capital through friends and family, or through informal lenders.

Mahadea (2008) also emphasises the importance of SMMEs having the ability to manage finance and keep proper records. The ability to manage finance is therefore seen as a prerequisite for business growth and expansion.

Ono and Uesugi (2009) suggest that the three aspects that are assessed by an institution when considering whether a loan should be granted, are:

1. Borrower riskiness which considers the discerning of information given about the SMME;
2. Screening which entails the assessment of the SMME's quality, and the monitoring of its performance (past, present and future), and the consideration of collateral proposed by the borrower; and the
3. Nurturing the relationship between borrower and lender, which includes adhering to agreements and contractual obligations. Establishing a good track record may work favourably towards SMMEs in their quest to access finance with banks.

Mutezo (2005:35) suggests that in order to increase the possibility for township entrepreneurs to access finance, people should leverage the assets that they already possess. For example, land and property in the townships can be offered as collateral. However, Mutenzo (2005) counters by stating that financial institutions disregard these assets as collateral, due to high probability of criminal damage to property, uncertainty over property rights and potential difficulties in reselling the properties. Other constraints

for SMMEs accessing finance, include the inability of SMMEs to demonstrate projected success to persuade the lenders, lending- and financial institutions that are not geared to deal with specialised requirements of SMMEs, the lack of managerial skills, financial skills and knowledge of where to obtain finance by SMME owners.

❖ Access to technology

SMMEs need access to technology if they are to have a competitive advantage. Inability to secure technology at the start-up, can impact negatively on the entrepreneurship development process in today's world of globalisation. For South Africa's disadvantaged societies, access to technology remains very limited.

❖ Access to labour

Access to labour markets is a factor of production important for SMMEs. In South Africa, the labour is mainly unskilled and informal, while available semi-skilled and skilled labour is expensive. Maheeda (2008) also argues that South African labour legislation imposes labour market rigidities and denies flexibility in the market, making hiring or dismissals too costly. The shortage of skills in South Africa is seen as a barrier, as the recruitment of quality workforce is difficult, time consuming and expensive.

❖ Access to other economic resources

Access to other economic resources like banks, suppliers, lawyers, training and all intermediaries needed in the total value chain is imperative for entrepreneurial success. While many of these are available in Gauteng, many SMMEs from previously disadvantaged backgrounds and in less-urban areas have limited access to such resources due to financial constraints.

❖ Crime

Low crime and security are prerequisites for the survival and growth of businesses. High level of crime negatively affects investment levels, sales and business success, and increase the cost of doing business. In South Africa, entrepreneurs view crime as one of the biggest threats facing the SMME sector.

Crime is a costly burden on individuals and firms. Crime affects business directly through theft of property and money, and indirectly through reduced business confidence, loss of investment, emigrating and the steady erosion of the foundation upon which the economy is built (Mahadea, 2008).

Isaac and Friederich (2007) distinguish between internal and external crime, and state amongst others, the effects of crime on SMMEs:

Internal crime is defined as crime that is committed by employees and includes shoplifting, fraud, forgeries, misappropriations and embezzlements. While external crime includes burglary to business premises, malicious damages to property, hijacking of trucks and robbery of cash in transit. A study by Malebana (2009) found crime, more specifically embezzlement by staff, as well as burglary, to be limiting factors with regard to business growth in the Aganang Municipality in the Limpopo area.

Some of the crime related effects identified as impacting on SMMEs are:

- The cost of replacing stolen stocks and repairs to damaged property
- The cost of increased security
- Increased insurance premiums
- Loss of income from closures
- Absence of staff members (who became victims of crime)
- Loss of customers through fear of crime

- Difficulties in recruitment (if business is a high risk or due to a crime-prone location).

Isaac and Friederich (2007) argue that crime is a social issue and poverty is a contributing factor, therefore the establishment of SMMEs leading to job creation (as the suggestion states) might in turn reduce crime because people will have jobs and have means to generate income instead of doing crime.

❖ Health

Availability of health care has an important influence on entrepreneurship and the ability of entrepreneurs and their employees to work. In South Africa, the high prevalence of HIV/Aids is a threat to SMMEs and negatively affects business success. Isaac and Friederich (2007) postulate that the cost of HIV/Aids to business is multifold, including the cost of medical expenses incurred by businesses, the cost of loss of production due to absenteeism or time taken off work, as well as the cost of replacing staff as a result of HIV/Aids deaths.

❖ Role Models

Societies which have the support of successful business people that mentor young entrepreneurs to ensure that they learn by experience and develop sound business principles facilitate and encourage entrepreneurs. Role models can inspire confidence, as well as provide mentorship through advice and contacts. A limited family business culture and lack of entrepreneurial role models in South Africa are two of the most prominent barriers to SMME development.

“The diffusion on entrepreneurship appears to involve an element of imitation. In places where rates of enterprise creation is low- and if imitation is important- low rates of future start-up should be expected, other things considered” (OECD 2003/2004).

2.5.3 Market Environment

Market factors are industry specific factors associated with the industry in which the firm operates, and they represent market conditions, the interest or actions of consumers, competitors, intermediaries and suppliers. Within these factors, barriers to SMMEs' success can also be found.

❖ Market Conditions

The stage the industry is in and its life cycle and industry conditions/trends can facilitate or inhibit entrepreneurship. Industry complexities and weaknesses can inhibit SMMEs. Major changes in industry lead to low predictability, which does not allow for proper planning. The high growth potential of the industry in which the SMME operates is also a factor in entrepreneurship. Choosing a market segment with potential growth is a factor influencing the success of SMMEs.

❖ Demand for supply



Businesses rely on markets for survival, and markets need money to turn their interest into effective demand for supply, leading to market attractiveness. Market demand for the SMME's products or services is a major factor influencing the success of an SMME. Low or insufficient or unsteady demand for products or services remains a primary challenge limiting SMME growth.

Shakantu, Kaatz and Bowen (2002) also identify barriers associated with marketing (the creation of demand by the enterprises), which include the lack of or inability to identify new sources of demand, find new customers, develop business linkages and adopt new and diverse products and services to meet buyer requirements.

❖ Competition

Competition concentration, along with actions and strategies of competitors, has an impact on the SMME. Therefore, analysis of the role of competitors and counter-competition intelligence and actions is crucial for the survival of an SMME.

Gilmore, Carson and Grant (2001) however, claim that there is more networking, communication and collaboration between competitors within the SMME sector. Owners/managers are often supportive of each other in the SMME sector. A high level of cooperation seems to exist between some competitors. The reason for this is said to be because collaboration in many cases is to prevent the client taking his business outside the local market.

❖ Access to markets

Stable access to markets, as well as the ability to overcome barriers to entry into a specific industry, is crucial for enhancing entrepreneurship and SMME success, while inadequate access to profitable markets inhibits entrepreneurship and SMME success.

❖ Location

Geographic location has its implications for access to markets and other resources like finance, skilled labour, subcontractors, infrastructure, distribution and transport logistics and other facilities. SMME success also depends on neighbourhood appearance and continued/maintained future business operations in that location.

2.5.4 Internal Environment

The personal environment includes all firm-specific factors that are influenced by specific firm action, including the availability of resources, personal skills and abilities for pursuing entrepreneurial functions and the effective use of resources inside the firm.

Deficiencies in the internal environment are a major cause of SMME failure. These include:

2.5.4.1 Company demographics

- ❖ Size of firm, age of firm and product and competitiveness

SMMEs operate in a hostile external environment, with constraints that affect SMMEs differently from larger competitors in the same industry and area. Being small correlates negatively with survival rates, owing to the limited resources that SMMEs find a key hindrance to making a success of their business.

The liability of newness makes SMMEs face greater risk to survival than older firms, because new firms do not have the experience, access, links, reputation or the legitimacy of the older firms, leading to limited access to external resources.

Uncompetitive products, products that are not differentiated from those of competitors, limited product offering, limited track record and unknown brands often lead to SMMEs not being successful.

- ❖ Human Capital

Human capital is defined as to be the attitudes, commitment, values, knowledge, experience, education, capability, skills and abilities that help the entrepreneur in the task of starting, running and growing of the business. The lack of this can be considered as a barrier for SMMEs.

Furthermore, other barriers with which entrepreneurs are confronted in the internal environment include personal barriers:

- ❖ Lack of experience due to age, which is positively correlated to work experience.

- ❖ Gender, as discussed earlier, can be a barrier to establishing an SMME. This is due to the way which society perceives women, and the opportunities that are available to women. Zindiye and Mwangolela (2007) however argue “that 25 per cent of the businesses in advanced market economies are owned and operated by women. The focus on women by the South African government should be based on the fact that women constitute 52.2 per cent of the total population in South Africa, and the majority of them are not formally employed. Based on this scenario, it is easier to cultivate a spirit of entrepreneurship in women, which means that their active involvement in business will result in the socio-economic development of the nation”.
- ❖ Family upbringing, a youth who did not grow up in an environment which instills confidence and encourages independence, self reliance and risk taking or whose parents are unable to assist with start-up, might not be as ready to establish an SMME compared to the one who has had an opposite upbringing.
- ❖ Education or a lack of education which relates to the means through which knowledge can be gained and includes teaching, formal and informal learning, tutoring and instructing individuals receive in their background years can be barriers in establishing a successful SMME.
- ❖ Lack of previous experience, whether it be previous work experience, business ownership experience or industry specific experience, can be a barrier as the entrepreneur has no experience to refer to in terms of action or decision making.

Malebana (2009) suggests that management practices or the lack thereof can create barriers to growth of a business. In the study conducted by Malebana (2009), it is revealed that there is a significant relationship between management practices and small business growth. Management practices that are positively related to growth include:

- ❖ Human resources management
- ❖ Marketing management
- ❖ Purchasing or inventory management

❖ Business planning and strategy

Therefore, the entrepreneurial skills shortage and proposed training discussed in the paper should include training in the field of management and the above-mentioned management practices. Zindiye and Mwangolela (2007) suggest that “emerging entrepreneurs have to be supported by developmental programmes to improve their skills in different areas. Critical to the success of business today is the management of knowledge so as to add value to production and service. The improvement of human capital will translate into greater managerial capacity on emerging SMMEs”.

3. South African SMME Business Confidence Index Report

The results of the SMME Business Confidence Index (BCI) report for the second quarter of 2009, solidified what has already been expressed in the literature review. The BCI report is based on a quarterly survey of the responses of SMME owners or managers in relation to factors that impact on their business. It measures the opinions of SMME managers and owners all over South Africa about current and future business prospects.

The five most important factors that SMMEs surveyed considered as having adverse effects on SMME business, were cited by respondents as:

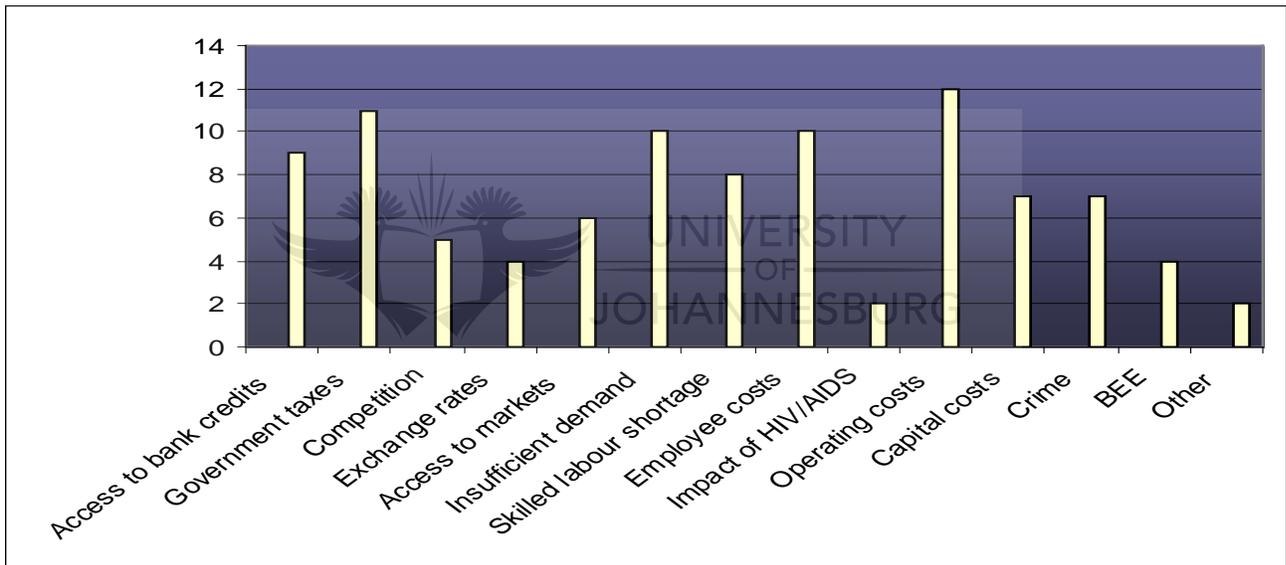
- High operating costs (including government taxes and regulations and employee cost)
- Government taxes and regulation
- Insufficient demand
- Employee costs
- Access to bank credits

According to the BCI study which interviewed 1 432 SMMEs owners and managers, the SMME owners and managers also cited some basic challenges facing them which need to be addressed by government and the banks. These include the need to:

- Reduce interest rates on bank loans
- Ease conditions for accessing loans
- Rationalise the existing tax system
- Review existing labour laws by making them more flexible in order to accommodate the interests of both employees and employers

Figure 2.6 Business Limiting Factors – BCI

From figure 2.6, it can be established that most of the factors limiting SMMEs in South Africa expressed by the BCI, have been discussed in the literature review.



Source: South African SMME Business Confidence Index Report

4 The Organisation for Economic Cooperation and Development (OECD)

The OECD is an organisation established in 1961 in Paris, France whose membership consists of 30 countries and whose mission brings together the governments of countries committed to democracy and the stimulation of the market economy around the world to:

- ❖ Support sustainable economic growth

- ❖ Boost employment
- ❖ Raise living standards
- ❖ Maintain financial stability
- ❖ Assist other countries' economic development
- ❖ Contribute to growth in world trade

The organisation is said to provide a setting for governments to compare policy experiences, seek answers to common problems, identify good practices and coordinate domestic and international policies.

In its 2003/2004 report, the OECD also concurs with the literature with regard to barriers to entrepreneurship in disadvantaged local economies. The OECD report states the following, as amongst others, the barriers to entrepreneurship:

- ❖ Limited social and business networks – the report states that in disadvantaged areas, social and business networks are often limited. The unemployed often have few social networks. The scarcity of networks is highly significant for business, as entrepreneurs who maintain and develop contacts with other entrepreneurs tend to be more successful than those who do not.
- ❖ Low levels of effective demand in the local economy.
- ❖ The value and system of tenure housing – this was referred to earlier and it refers to the fact that in many disadvantaged areas the value of housing is low and therefore is a definite constraint as an important source of collateral for financing the establishment (and development) of enterprises.
- ❖ Constraints in access to finance.
- ❖ Lack of work experience and skills amongst residents.
- ❖ Lack of role models.
- ❖ Cultural obstacles – including linguistic barriers.
- ❖ Lack of personal motivation.

- ❖ Problems of transition from reliance on benefits – this refers to the notion that when people become self-employed it can involve the loss of a range of benefits associated with unemployment insurance and other grants.
- ❖ High rates of crime.
- ❖ Government regulation.

5. Current and suggested solutions to barriers

Rwigema and Karungu (1999) suggest six common forms of assistance to SMMEs to assist in overcoming the barriers perceived by SMMEs:

- Financial assistance;
- Technical assistance for aspects such as information of changing markets and technology;
- Training which must involve on-the-job coaching or class room instruction on any relevant aspect of business;
- Information availability on aspects such as service suppliers, availability of training, product opportunities, design and packaging (marketing), raw materials, machinery supplies, research and developments, distribution channels, legal issues and other services;
- Industrial cluster development which involves small scale businesses located together for easy access. They facilitate economical provision of business services (information, advice and training) at centralised locations; and
- Government and private sector assistance for SMMEs.

World Bank survey 2000 of SMMEs in Johannesburg (in Luiz 2002) revealed that policy stability, lower interest rates, education and training, promotions of SMMEs in public service, flexible wages and business information were cited (in that order) as the main ways in which the government can help grow SMMEs. In the case of local government, the main methods of assistance were safety and security, infrastructure, ethical local

officials, public transport, the improved attitude of local government officials, and investment support.

“Within the macro-economic context provided by the Growth, Employment, and Redistribution strategy, the specific framework for the SMME development was set forth in the 1995 White Paper of Small Business. This, together with the National Small Business Development Act of 1996, paved the way for the launch of a range of support institutions and initiatives” (Rogerson, 2004:766). These support initiatives, according to the author, comprise SMME institutions and structures that were set up to implement the SMME strategy. The pillars of this strategy are:

- Ntsika Enterprise Promotion Agency, which is responsible for non-financial or business development services. (Ntsika Enterprise Promotion Agency has since merged with the National Manufacturing Advisory Centre (NAMAC) to become the Small Enterprise Development Agency (SEDA); and
- Khula Enterprises Finance, which functions as a wholesale finance institution supporting a range of retail finance intermediaries that would deal directly with the SMME entrepreneurs themselves.

The support from these institutions was to be focused on improved and decentralised access to information, training, markets, finance and technology, improvements in business infrastructure and the market environment, and the strengthening of networks between enterprises.

Luiz (2002), as well as emphasising the role of government to promote SMMEs, emphasises the role of big business in the development of SMMEs in South Africa. Luiz (2002) suggests that big business can act as a stimulus for the SMME sector by providing a real and steady source of demand. SMMEs will therefore have to work closely with big business which may lead to the benefit of skills transfer. This relationship is termed– Linkage Programmes.

Pretorius, Milliard and Kruger (2005: 64) suggest the following alternative development methods:

- ❖ Simulation of business start-up and management process for training and development purposes
- ❖ Mentoring/Role Modelling
- ❖ Networking (business fraternities, such as business chambers)
- ❖ Linkages (with importers, buyers, etc through trade exhibitions)

Chen (2007:59) emphasises the importance of education as a solution to overcoming barriers to the success of SMMEs in South Africa. He suggests that “educational institutions should introduce and/or strengthen entrepreneurial education: entrepreneurial culture should begin at home, proceeding to higher education and training institutions.”

Zindiye and Mwangolela (2007) in supplementing the above suggestion, propose “the targeting of youth and youth development as an essential strategy to create an entrepreneurial culture and to prepare youth for self-employment. A comprehensive integrated programme providing funding, technical skills (including IT skills) and entrepreneurial training targeting the youth, i.e. Umsobomvu Youth Fund, is recommended. It is believed that a large percentage of the youth is unemployed graduates and should be encouraged to engage in entrepreneurial activities by virtue of them being the economic active group and the future of the country”.

6 Conclusion

The importance of successful SMMEs has been emphasised throughout this chapter. The success of SMMEs established through entrepreneurship, appears to be a necessity in view of the current economic and social conditions. It will require the influence and coordination of various aspects both within the internal and external business environment to create an environment that is conducive to establishing

successful SMME businesses which will create jobs, increase income and wealth, and create both societal and individual prosperity in South Africa.

The culture of entrepreneurship within South Africa should indeed be created, and the barriers created by the past legacies overcome in order to become an entrepreneurial nation. All spheres of society including government, big business, societies, the financial industry, education and training institutions and entrepreneurs need to realise and act towards the betterment of the broader society and the economy.



CHAPTER 3

Research Methodology

3.1 Introduction

Jupp (2006:265) defines a research design as a “design or strategy that justifies the logic structure and the principles of the research methodology and methods, and how these relate to the research question, hypothesis or proposition”. The author suggests that there are several reasons for devising a research design. Firstly, an effective research design will demonstrate that the research will produce a valid and credible conclusion that flows logically from the evidence generated. Secondly, it sets out the research strategy for the benefit of the audience, readership, funders, gatekeepers and those researched. Lastly, the process of devising it not only ensures that research will be of value in terms of intellectual credibility, external accountability, coherence and rigour, but that it becomes a useful plan or schedule for the researcher.

3.2 Scope of research

It is important that the respondents included have a perception about barriers that can hinder the establishing, sustaining and growing of a small business. The study should ensure that input is obtained from various types of businesses in the retail and service sectors qualifying as SMMEs.

3.3 Type of research

Zikmund (2003:65) proposes that there are two broad categories with regard to collecting data, and these are qualitative as well as quantitative research methods.

Finlay (2006: 3-5) differentiates the two methods suggesting that quantitative research involves information or data in the form of numbers' whilst qualitative research aims to

deepen our understanding about something usually going beyond numbers and statistics.

The primary source of data, defined by Kumar (2005:118) as information that needs to be collected or found out first-hand from the source, as compared to information that is already available and needs only be extracted, will be from the qualitative method that the researcher will employ.

Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. Qualitative researchers study things in their natural setting, attempting to make sense of or interpret, phenomena in terms of the meanings people bring to them (Dezin & Lincon 2008:4).

Creswell (2007:37) further suggests the following as the characteristics of qualitative research:

- 
- ❖ Natural setting - qualitative researchers tend to collect data in the field at the site where participants experience the issue or problem under study;
 - ❖ Researchers as key instruments – the researchers collect data themselves through interviews, observation behaviour and examining documents;
 - ❖ Participants' meaning – in the research process the researcher keeps a focus on acquiring the meaning that participants hold about the problem or issue, not the meaning that the researchers bring to the research or writer from literature;
 - ❖ Theoretical lens – this means that qualitative researchers often use a lens to view studies, such as the concept of culture, gender, race and even social and political context;
 - ❖ Interpretive inquiry – characterises qualitative research as a form of inquiry in which researchers make interpretations of what they see, hear, and understand. the researchers' interpretation cannot be separated from their background, history, context and prior understanding; and

- ❖ Holistic account – qualitative researchers also try to develop a complex picture of the problem or issue under study. This means reporting multiple perspectives, identifying the many factors involved in a situation; and generally sketching the larger picture that emerges.

Given the above characteristics of qualitative research, the choice to use this type of research method is justified. The research question is complex and also of social nature. The study will require the researcher to conduct interviews. The research question is exploratory and will require an understanding, judgement and interpretation that would render a qualitative research as the best method for data collection.

3.4 The research population

De Vos, Strydom, Fouche and Delport (2005: 193) define a research population as a set of entities in which all measurements of interest to the practitioner or researcher are represented, whilst Zikmund (2003:369) defines a research population simply as a complete group of entities sharing some common set of characteristics.

Given the difficulty and certain faults in using a population of all people wanting to start enterprises as a population, the researcher will use already existing entrepreneurs operating SMMEs in the retail and service sectors in demarcated business areas in Mamelodi as a population.

Only businesses that meet the definition of small business and very small business, and the classification of SMME by sector (in the case of this study the retail and service sector) as stated in the Act (see Table 2.1), will be included in the population. The definition is as follows:

“small business enterprise is a separate and distinct business entity including co-operative enterprises and non-governmental organisations, managed by one owner or

more, the size of which lies within specific thresholds which classify whether the business will be categorized as micro, very small, small or medium”.

The businesses do not have to be incorporated or registered under any law as is made provision for in the Act.

The businesses should have been operating for at least 1 year.

The owner or entrepreneur who established the business should have an opinion about the perceived barriers that SMME entrepreneurs face in starting, maintaining and growing a business.

3.5 Sample

“A sample comprises elements of the population considered for actual inclusion in the study, or it can be viewed as a subset of measurements drawn from a population in which we are interested. We study the sample in an effort to understand the population from which it was drawn” (De Vos et al., 2005: 194). Sampling not only focuses on the selection of people to be interviewed, or the situation to be observed, but also the selection of sites in which such persons or situations can be expected to be found. Sampling qualitative research in most cases is not oriented on a formal (e.g. random) selection of a part of an existing or assumed population. It is rather conceived as a way of setting up a collection of deliberately selected cases, materials or events for constructing a corpus of empirical examples for studying the phenomenon of interest in the most intrusive way. Therefore, most suggestions for qualitative sampling are around the concept of purpose (Flick, 2007:27).

Due to the size of the research population, it would be difficult to sample the whole population. Non-probability sampling method will be used. Saunders, Lewis and Thornhill (2007: 226) explain that non-probability sampling, provides a range of alternative techniques to select samples based on a researcher’s judgement. The

specific non-probability technique that will be employed in this study will be purposive sampling about which Kumar (2005: 179) postulates “the primary consideration in purposive sampling is the judgement of the researcher as to who can provide the best information to achieve the objectives of the study. The researcher only goes to those who in his opinion are likely to have the required information and be willing to share it. This type of sampling is extremely useful when you want to construct a historical reality, describe a phenomenon or develop something about which little is known”.

Punch (2005:103) suggests that a sampling strategy needs to address three questions:

- ❖ How big will the sample be, and why?
- ❖ How will it be chosen, and why?
- ❖ What claims will be made for its representativeness?

A sample of thirty will be chosen. This will be chosen from the purposive list that will be created by the researcher according to criteria already mentioned. A sample of thirty is seen as big enough by the researcher to give a representative view of the population, and also big enough to justify the size of study.

Since there is no existing comprehensive list of entrepreneurial SMMEs, the sample will be chosen from a list created by the researcher. The sample will be chosen based on its purpose according to the researcher’s judgement. This is done so as to elicit responses that will add value to the study. The sample representatives operates from their natural setting, will meet the criteria as stated by the Act, will be big enough to justify the study, will be purposive and will reflect the same characteristics as the population. Therefore the sample could claim to be representative.

3.6 Data collection

The research as mentioned is qualitative and a face to face standard, structured research interview will be conducted with each respondent. The researcher will hold one on one interviews with the owners/entrepreneurs of the SMMEs. Each interview will be

allocated 45 minutes. The interview will take place at a time that will be mutually agreed upon with the participants. All interviews will be scheduled to be conducted in a space of one week.

3.7 The Instrument

Creswell (2007:38) suggests that because qualitative researchers collect data themselves (through interviews in this case), the researchers themselves can be seen as key instruments.

The researcher will also use an interview schedule which will contain structured research questions to be posed to respondents. Sapsford and Jupp (2006:93) propose that “a standard schedule is used for each respondent, in which the questions have the same wording and are asked in the same order. The ability of the interviewer to vary the wording of questions or the order in which they are asked, is strictly limited”. This is done so as to achieve consistency and avoid bias.

The advantage of using an interview schedule is that it will be standardised for all interviews, therefore reducing elements of bias in the interviews. The interview schedule will also allow categories and themes to be effected, which will enhance the data analysis at a later stage. The disadvantage however of a standard schedule, is that it does not allow flexibility in terms of follow-on question to allow for the “natural” flow of the conversation or interview.

Interview schedules will be practical for this study, they will allow the researcher to refer to questions which will be posed. The interviewer will also have more control as the interview will only be scheduled for a limited amount of time, and will limit interviewer imposed bias or contamination of responses.

3.8 Type of questions

Questions to be asked will include, amongst others demographic, open- and closed ended questions.

Alasuutari, Leonard, Brickman and Brannen (2008:134) suggest that open- ended questions have the following advantages and disadvantages:

- ❖ Open-ended questions provide in-depth information, however the analysis of open-ended questions is more difficult.
- ❖ Open-ended questions provide respondents with the opportunity to express themselves freely, resulting in a greater variety of information. Thus respondents are not “conditioned” by having to select answers from a multiple choice list. The disadvantage is that some respondents may not be able to express themselves, resulting in information being lost.
- ❖ As open-ended questions allow respondents to express themselves freely, they virtually eliminate the possibility of investigator bias (introduced through the response pattern presented to respondents).

The wording and tone of the questions are important because the information and its quality largely depend upon these factors. The following are some considerations the researcher will implement when formulating questions: Firstly, the researcher will use simple and everyday language, secondly, the researcher will avoid ambiguous questions, the use of multiple meaning questions or a question within a question and thirdly, the researcher will also avoid leading questions (Alasuutari et al., 2008:135).

3.9 Recording the data

The data that will be collected will be the answers from respondents, which will be given by the respondents. This is referred to as primary data as already alluded to earlier in the chapter.

The interviewer will use two methods in recording the data – firstly, the interviewer will take notes during the interview, as well as utilise a digital audio recorder to record the responses that will be given by the respondents. Kvale and Brickman (2009:179) propose that an audio recorder allows the interviewer freedom to concentrate on the topic and the dynamics of the interview.

3.10 Data analysis

Data analysis must start with a thorough process of data preparation (Sapsford & Jupp 2006:246). This is applicable with this research as a recording will be used during the interview. The preparation will therefore entail a detailed notes to be done of the recordings.

However, Lofland (in Havinge, 2007: 11) proposes that when conducting qualitative research data analysis, the analysis begins earlier, perhaps during the interview with the participant when the researcher/interviewer will try and make sense of the raw reality the researcher will be encountered with.

Babbie (2005:387) defines qualitative data analysis as “methods for examining social research data without converting them to a numerical format”.

Shaw (in Havinge 2007: 12) proposes a data analysis process that the researcher will follow for this study. The process has four phases which are as follows:

The first phase has already been alluded to with data analysis occurring on site. The second phase will involve transcribing, reading and re-reading of transcripts and field notes. This will help familiarise the reader with data, and secondly start structuring and organising data into meaningful units. This phase involves coding whose goal is to obtain data from an unstructured and convoluted state to ideas about what is going on in the data (Richards & Morse, 2007: 133). This will lead to the recognition of patterns,

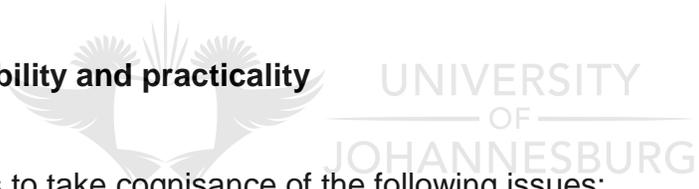
themes and categories existing in data. Constant comparison involving the reading and re-reading transcripts and field notes will be used in phase three to compare data with coded, categorised and themed data in phase two. Phase four will involve the interpretation of the meaningful data obtained during the past phases and the finding compared against literature, as will be presented in chapter two of the study (Havinge, 2007: 11-13).

This process also has the benefit of reducing errors in the data collected, enhancing consistency, reliability and validity.

The data analysis will be done by the researcher as it is easier, since the researcher will conduct the interviews.

The above- mentioned process will make up chapters four and five of the study.

3.11 Validity, reliability and practicality



The researcher has to take cognisance of the following issues:

- ❖ Reflexivity – defined by Gibbs (2007:91) as “the recognition that the product of research inevitably reflects some background, milieu and predilections of researcher”. The researcher is from the area, and therefore issues of reflexivity will have to be managed without placing any bias on the research study.
- ❖ Validity – the validity of the study is enhanced by the fact that the interviewer will be present in the natural setting and interviewing respondents. Constant comparison of the data collected will enhance the validity of the data, and the process followed for data preparation and presentation will limit errors.
- ❖ Reliability – the issue of reliability is important in this study. The researcher must make sure that data recorded is reliably noted. The accurate noting of data will allow for actual responses from the participants to be recorded without any

contamination. This will allow for more reliable and valid findings for the study. This will also give credibility to the study.

- ❖ Practicality – the study is seen as practical and convenient. The interviews will be held at the natural setting of participants within designated business areas. The recording of data will be via audio/digital tape, allowing for a proper transcription at a later and convenient time. The issues that might present a challenge in terms of practicality, involve the time it will take to transcribe and analyse qualitative data.

3.12 Ethical consideration

Flick (2007: 68) proposed the following basic principles of ethical considerations (explained in chapter 1) that the researcher will contemplate:

- ❖ Informed consent
- ❖ Deception
- ❖ Privacy
- ❖ Accuracy
- ❖ Respect



Gibbs (2007:101) further suggests that if the researcher has offered feedback about the results of the research, the researcher should comply and in a way that the respondents will understand, as well as in such a way that it will show that the researcher has maintained confidentiality.

For this study, the researcher will have to inform the respondents that they are being recorded (Babbie, 2005:323). The researcher will further inform the respondents that the findings of the study could be made available to different institutions that might require these findings in order to utilise them to find solutions to various difficulties that SMMEs experience.

3.13. Limitations to the study

The study will focus on one area which will not be a thorough reflection of barriers experienced everywhere, and hence the study should be considered further in order to find solutions that might apply to other areas.

In a sense by 'discriminating', using non-probability and purposive sampling, we might be ignoring some of the most important respondents whose views might be lost.

The study will also be receiving responses from different participants within the samples. There is always a risk that the respondents will not be truthful in their responses. Henning, van Rensburg and Smit (2004: 53) express the view that the interviewee is believed to give a true and real version of facts, opinions and feelings as they are experienced throughout the interview. The content is anticipated to be 'the real thing' as presented by the subjective participant. This error will further be addressed through constant comparison with other responses and themes that will appear in the study.

There might also be limitations with regard to communication (especially language) when interviews are conducted. Translations might lead to bias and change in meaning of questions, and therefore respondents might find difficulty in answering and understanding the research questions.

The human factor that can never be totally eliminated, i.e. bias and inconsistency from the side of the interviewer, might influence the responses of respondents. This limitation is somewhat mitigated by the fact that the research interviews will be structured and standard.

3.14 Piloting/Pretesting

The exploratory nature of this study necessitates a pilot study, which will help address the limitation to the study, as well as help refine the research process. A pilot study will therefore be conducted on a sample of 3 respondents, which constitutes 10% of the research sample.

It is always desirable to conduct a pilot study before administering a structured interview schedule to your sample. In fact, the desirability of piloting such instruments does not merely comprise trying to ensure that survey questions operate well, piloting also has a role in ensuring that the research instrument as a whole functions well. Piloting with interviews may help address persistent problems that may emerge after a few interviews (Bryman & Bell, 2007:273).

The pilot study will include the pretesting of the interview schedule which should improve the results of the research. Blumberg, Cooper and Schindler (2005:464) suggest that pretesting should be used to get information on:

- ❖ Participants' interest and reaction to questions
- ❖ Participants' understanding of the meaning of the question
- ❖ Participants' transformation of questions to fit their own frame of reference or simply changing the questioning to make sense to them
- ❖ Continuity and flow
- ❖ Question sequence
- ❖ Variability
- ❖ Length and timing

The researcher will therefore undertake a pilot study or pretest to test and address some of the limitation factors that might arise because of the study.

Conclusion

Based on the discussion in this chapter, the research design and methodology suggested are expected to ensure the obtaining of findings that will offer suggestions or answers to the research question raised. The topic of this research is of an exploratory and social nature, and therefore this suggested methodology is expected to allow the voice of the relevant respondents to be heard and provide findings that are not only credible, but also reflect the reality as perceived by the respondents.



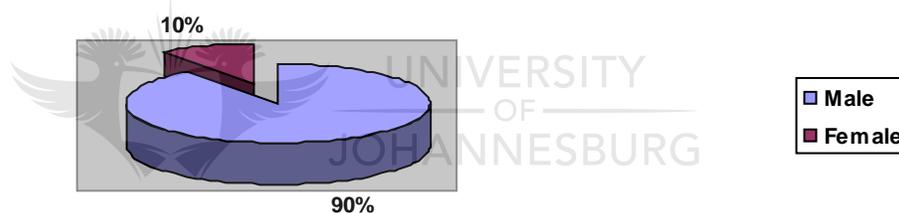
CHAPTER 4

Presentation of Findings

4.1 Introduction

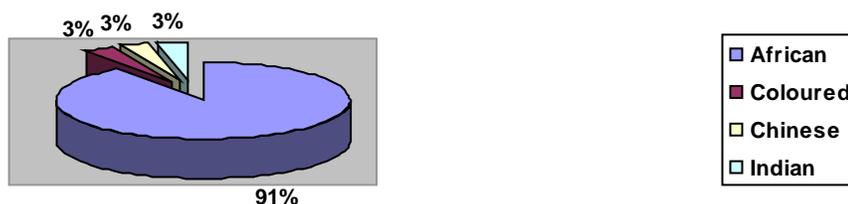
This aims to present the findings from the data gathered during the fieldwork carried out by the researcher. The researcher conducted face-to-face interviews with 30 respondents in the area of Mamelodi. The data recorded via notes and/or digital recorder was prepared and grouped using themes and codes. The data was further processed using the Statistical Package Social Sciences (SPSS) system to output the findings presented in this chapter.

4.2 Gender



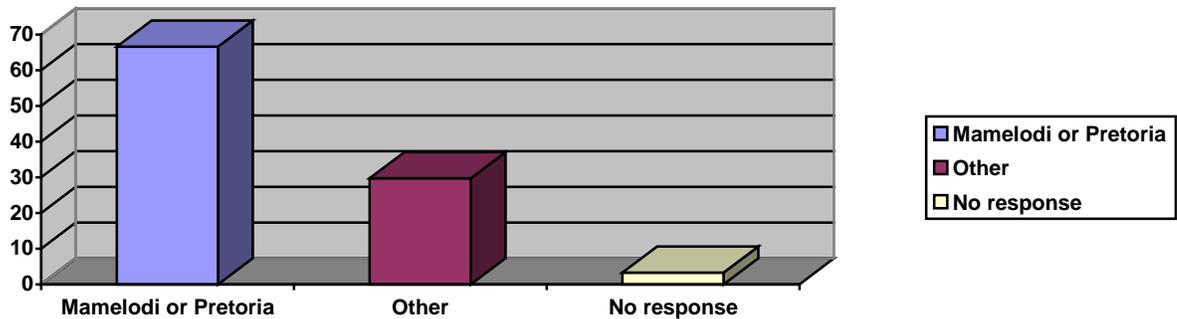
Ninety percent of the respondents interviewed were male, whilst 10% were female

4.3 Ethnic Group



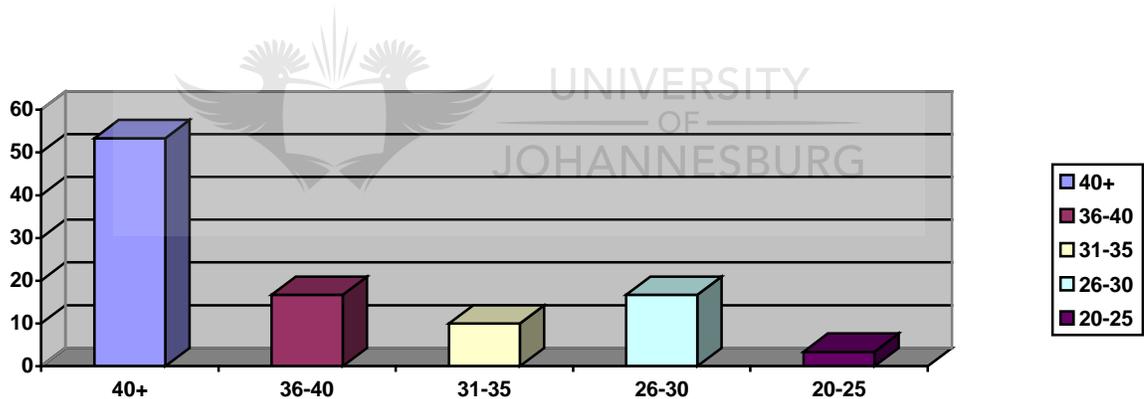
Twenty seven of the respondents interviewed were African, 1 was white, 1 was Indian and 1 was Chinese.

4.4 Place of birth



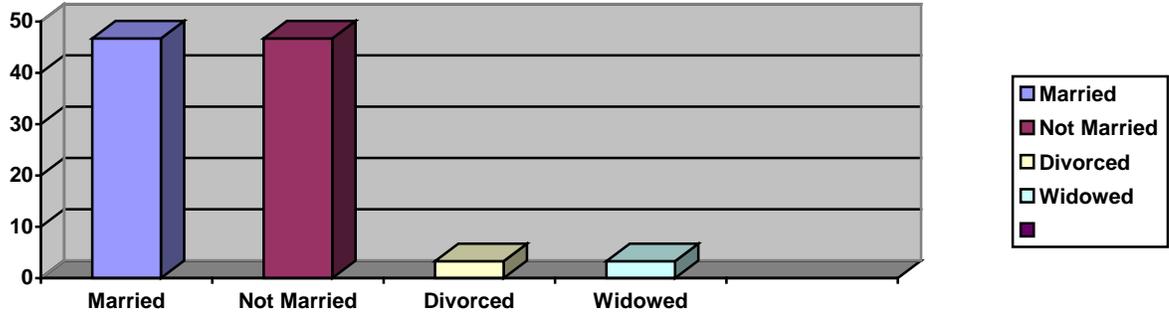
Sixty seven percent of the respondents were born in Mamelodi or in areas around Pretoria, whilst the remaining 30% per cent were born outside Pretoria. One respondent was born in Ghana, and one respondent did not want to divulge his place of birth.

4.5 Age



Fifty three percent, or 16 of the respondents are above the age of 40. This is the largest age range, followed by the age ranges of 36 years to 40 years, and 26 years to 30 years, each with 5 respondents or 16.7%. The 25 years to 31 years range is third largest, with 3 respondents or 10%, followed by only 1 respondent who is aged between 20 years and 25 years.

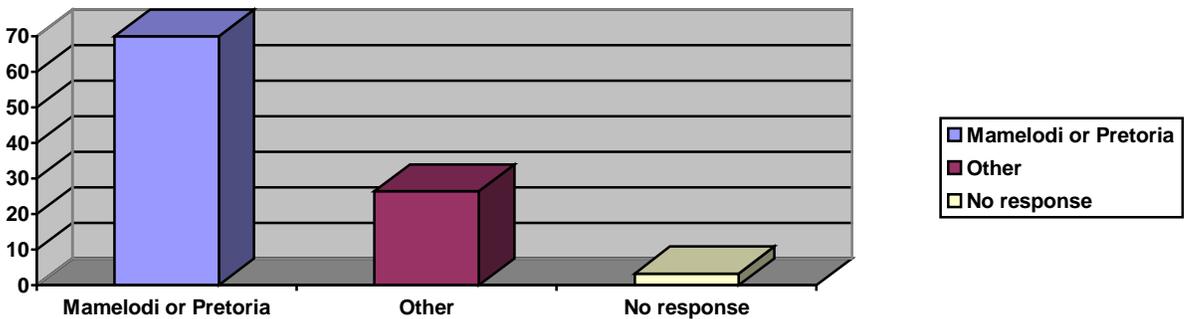
4.6 Marital status



Fourteen respondents or 47% of the respondents were not married, whilst an equal number of respondents were married. One respondent was divorced, and 1 respondent was widowed.

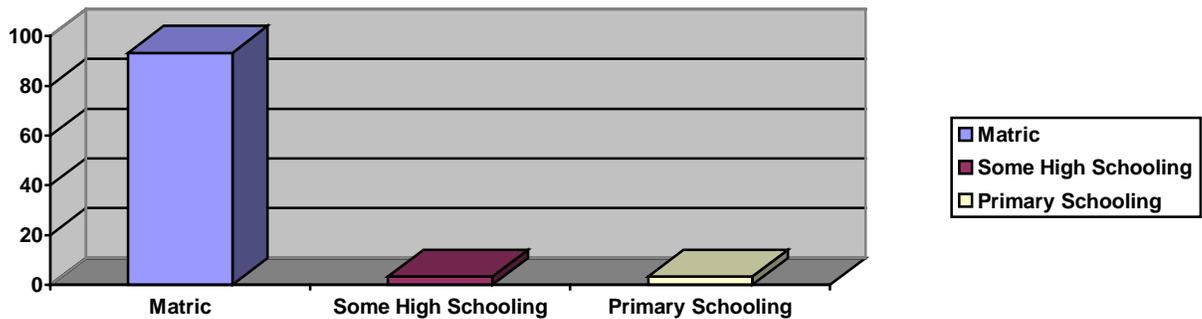
Eighty three percent or 25 of the respondents have children.

4.7 Place of schooling



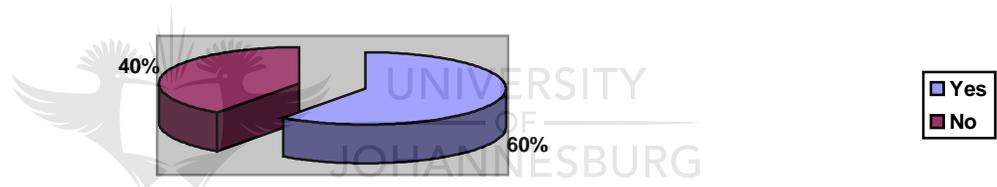
Seventy percent or 21 of the respondents attended their schooling in Mamelodi or the surrounding areas of Pretoria.

4.8 Level of schooling



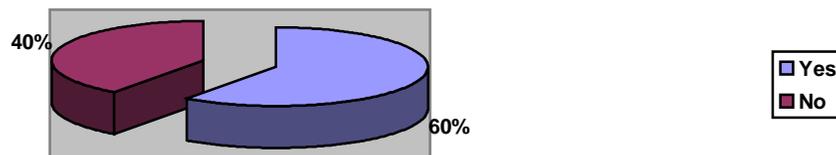
Ninety three percent or 28 of the respondents have a matric qualification. One respondent did not complete high school, and one respondent did not finish primary school.

4.9 Tertiary education



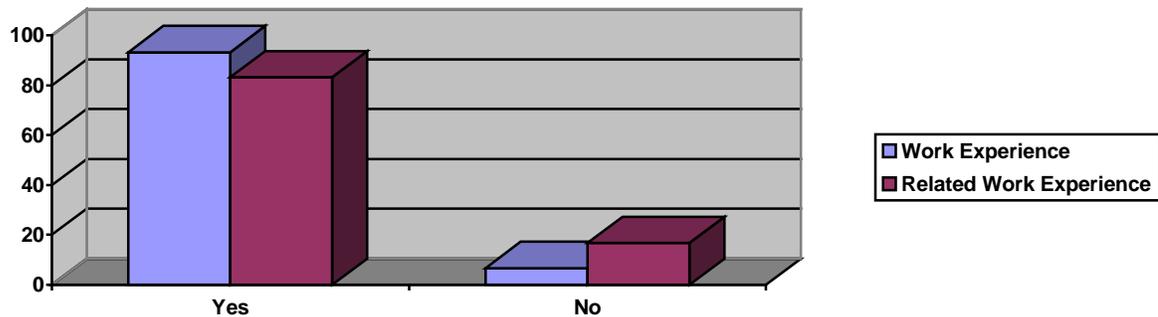
Sixty percent of respondents have a tertiary qualification, whilst 40% did not have a tertiary qualification.

4.10 Business training



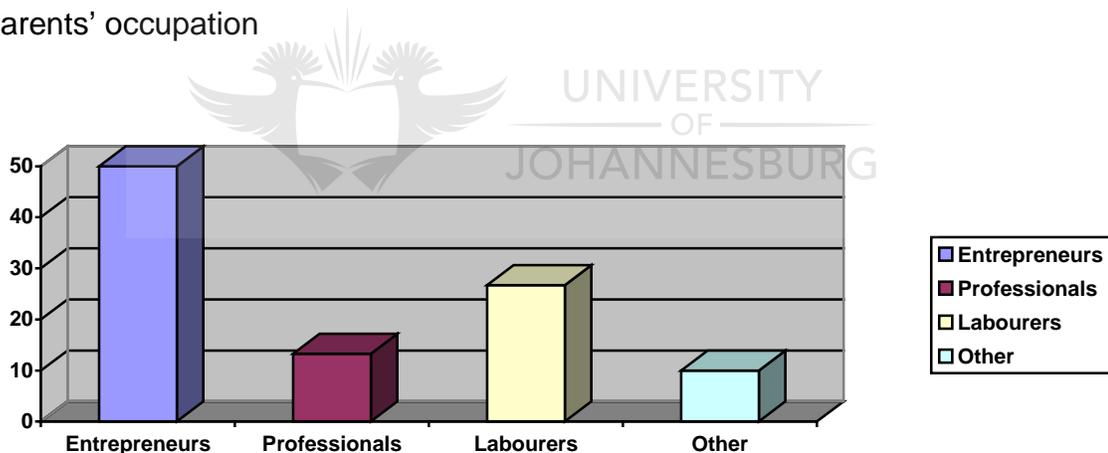
Sixty percent of the respondents have some form of business training, whilst 40% did not have any form of business training.

4.11 Work experience



Ninety three percent or 28 of the respondents had work experience, whilst only 2 or 7% of respondents did not have work experience. Of those respondents with work experience, 83% had work experience that is related to the business that they are running.

4.12 Parents' occupation



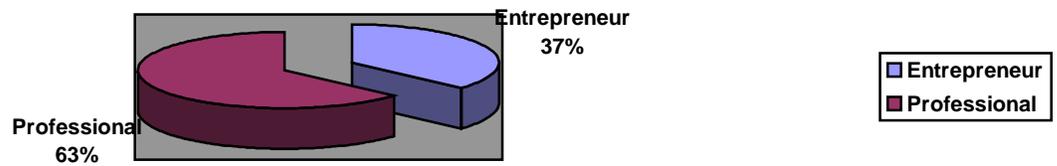
In order to establish business orientation, respondents were asked what their parents did for a living or used to do for a living, Fifty percent answered that either one or both their parents were involved in some form of an entrepreneurial activity. Twenty seven percent responded that their parents were labourers and 13% responded that their parents were professional. Ten percent responded that their parents did other forms of work not considered in the above mentioned categories i.e. the military wing of a political party or part-time mechanic.

The following are the lessons that the respondents say their parents taught them while growing up and the lessons that they still apply in their lives and businesses. The lessons are listed in order from most frequently mentioned to least frequently mentioned.

Table 4.1 Lessons learned from parents

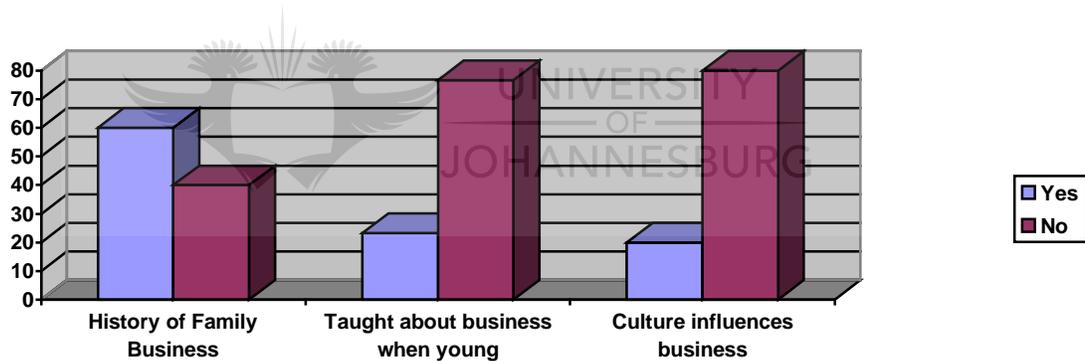
| Lesson | Frequency Mentioned |
|---------------------------------|----------------------------|
| Hardwork | 27 |
| Discipline | 14 |
| Parents shared business lessons | 7 |
| Respect | 6 |
| Honesty | 4 |
| Faith | 2 |
| Commitment | 1 |
| Dedication | 1 |
| Morals and values | 1 |
| Patience | 1 |
| Sharing | 1 |
| Decision making | 1 |
| Importance of education | 1 |
| Integrity | 1 |
| Money management | 1 |
| To be serious about life | 1 |
| Innovation | 1 |
| Building relationships | 1 |
| Understanding | 1 |

4.13 What did you want to become when growing up?



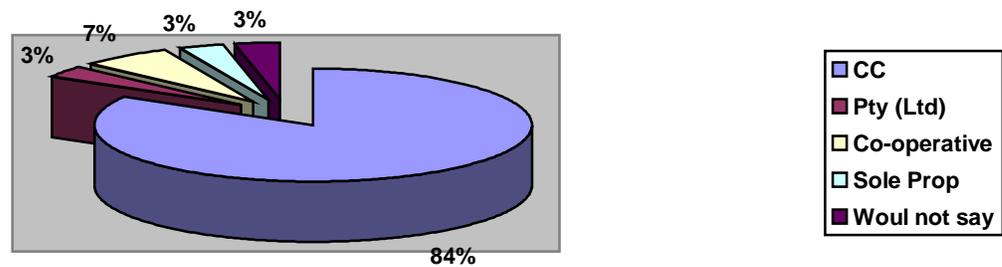
Only 37% or 11 respondents wanted to be entrepreneurs when they were growing up. The rest wanted to be professionals ranging from lawyers and doctors to professional football players

4.14 History of business orientation



Sixty percent of respondents indicated that there is/was a history of family business, whereas only 23% of the total respondents responded that they were actually taught about business when growing up. Eighty percent of respondents do not believe that culture has any influence on entrepreneurship.

4.15 Type of business entity



Ninety seven percent of the respondents' businesses were formally registered, with 84% being Close Corporations, 7% or 2 being Cooperatives, 3% or 1 being a private company or Pty (Ltd) and 1 sole proprietor.

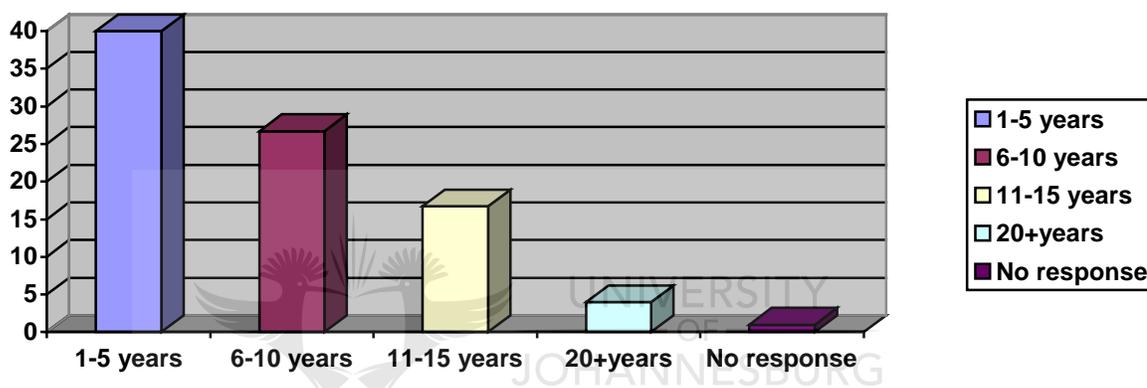
The nature and orientation of the business enterprise is stated in the table below.

Table 4. 2 Nature of business

| Nature of business | Retail/Service | Number in the sample |
|---|----------------|----------------------|
| Electronic repairs | Service | 2 |
| Hardware store | Retail | 2 |
| Fast food retailers | Retail | 1 |
| Filling station plus convenience store | Retail | 1 |
| Food retailer | Retail | 1 |
| Funeral service | Service | 1 |
| General dealer | Retail | 1 |
| Hair salon | Service | 1 |
| ICT and communication café | Service | 2 |
| Installation and maintenance of DSTV and satellite dishes | Service | 1 |
| Liquor store | Retail | 1 |
| Motor engineering | Service | 1 |
| Motor repairs | Service | 2 |
| Pharmacy | Retail | 1 |
| Retail of clothing | Retail | 4 |
| Retail of plumbing supplies | Retail | 1 |

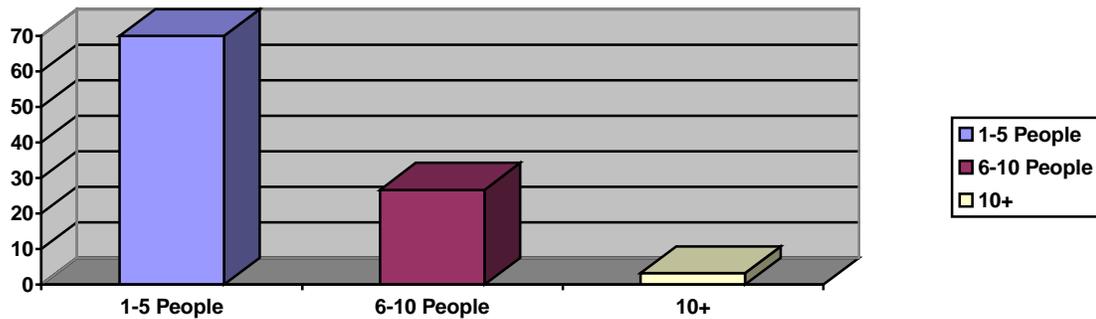
| | | |
|---|--------|---|
| Retail of wooden products | Retail | 1 |
| Retail and distribution of paper and over the counter pharmaceutical products | Retail | 1 |
| Retail of glass windows and tiles | Retail | 1 |
| Retail of books | Retail | 1 |
| Retail of exclusive doors | Retail | 1 |
| Retail of stationery supplies | Retail | 1 |
| Transport business | Retail | 1 |

4.16 Age of business



Forty percent or 12 of the businesses included in the sample are between 1 to 5 years old, 27% or 8 businesses are 6 to 10 years old, 17% or 5 are between 11 to 15 years, old whilst 13% or 4 are more than 20 years old.

4.17 Number of employees



Seventy percent of businesses in the sample employ between 1 to 5 employees, 28% of the businesses employ 6-10 people and only one employs over 10 people. The business that employs the smallest number of employees in the sample is 1, whilst the business that employs the biggest number of employees in the sample employs 30 people.

The following table shows the frequently given reason as to why the respondent's went into business. The list is in order of most frequencies:

Table 4.3 Reasons for starting a business

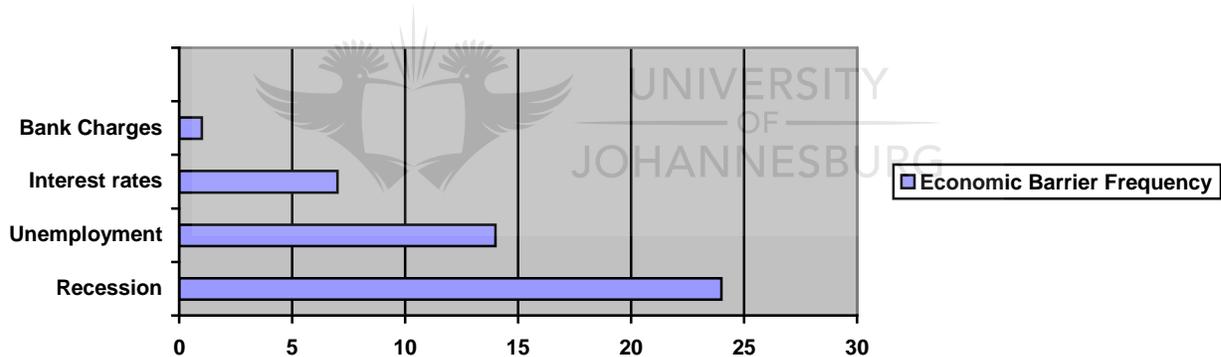
| Reason | Frequency |
|--|-----------|
| Independence and self-employment | 10 |
| Took over family business/Family influence | 5 |
| Problems at work | 4 |
| Opportunity | 2 |
| Always wanted to be in business | 2 |
| Passion | 2 |
| To make extra income/money | 2 |
| Job loss | 1 |
| Could not find work | 1 |
| To get out of poverty | 1 |

4.18 Start of the business

When asked about the process of starting their own business, the respondents provided various answers to this question.

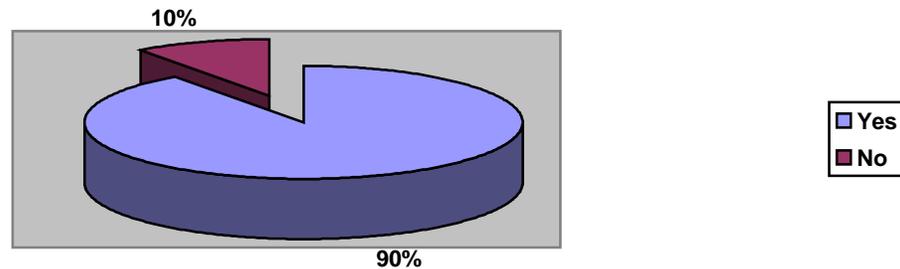
- Five respondents said that they started working from their backyard until the business grew.
- Eight respondents said that they used savings to start the business.
- Five respondents borrowed money from friends to start their businesses.
- Five responded that they obtained loans from financial institutions.
- Three respondents mentioned that they started the business whilst still working.

4.19 Economic Barriers



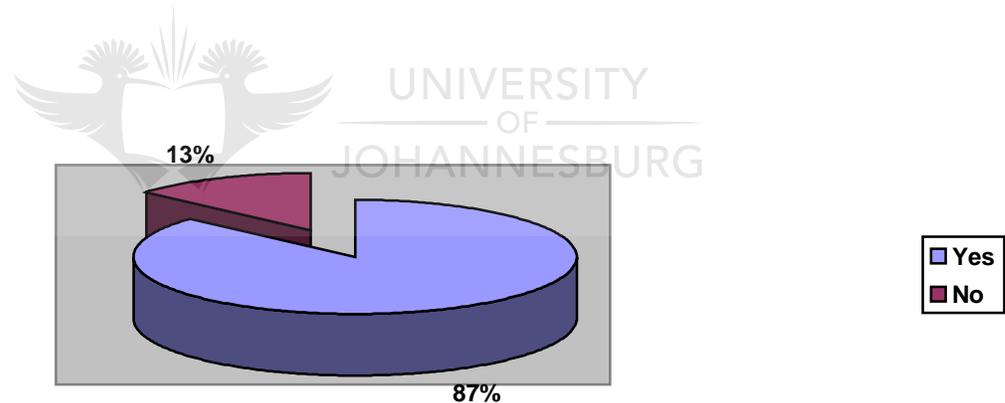
When asked what the barriers in the economic environment were that hindered the starting, maintaining or growing of businesses in the economic environments, the recession was mentioned 24 times, unemployment was mentioned 14 times, high interest rates 7 times, and bank charges once.

4.20 Problem with access to finance



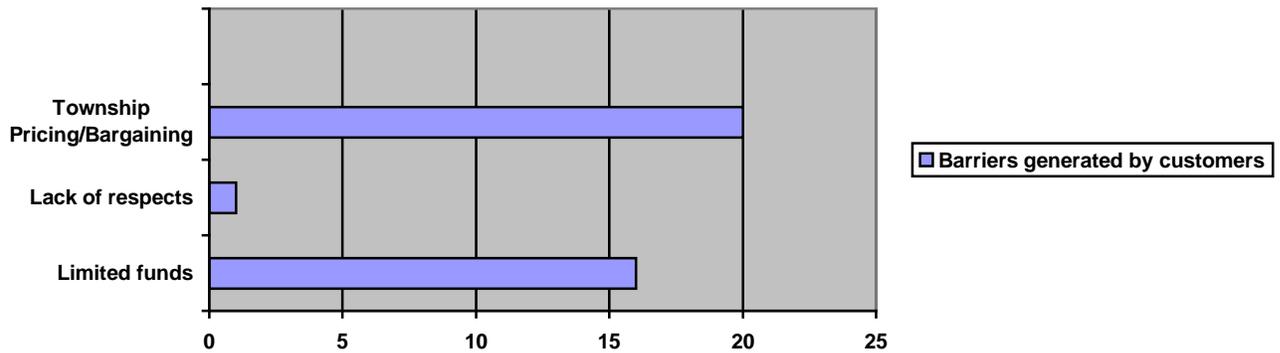
Ninety percent of the respondents in the sample indicated that they have had problems with accessing finance either to start their business, or to grow their business.

4.21 Problems with regard to financial management



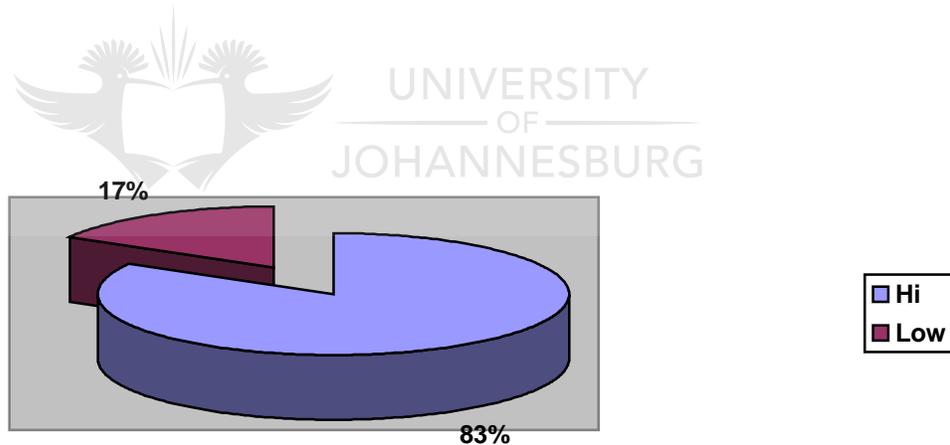
Eighty six percent of the sample indicated that they have a problem with bookkeeping and managing the finances of the business.

4.22 Customers



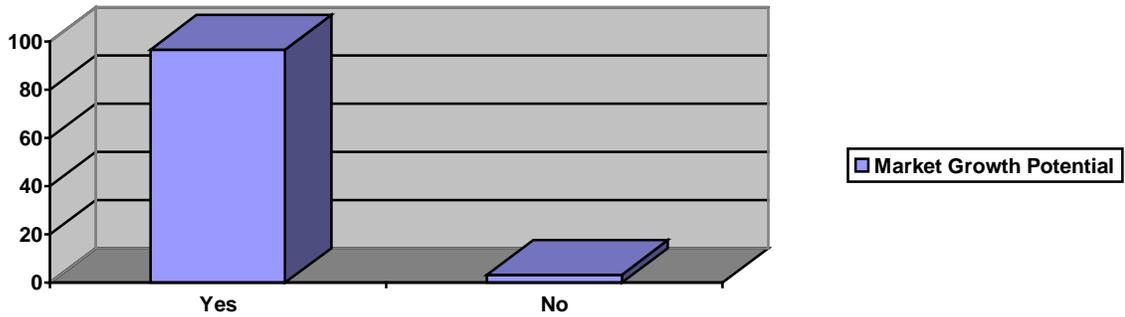
The most prevalent barrier that hinders business with regard to customers, includes what is known as “Township pricing/bargaining” with 20 frequencies in response and limited funds of customers with 16 frequencies in response. The lack of respect for township businesses received 2 responses.

4.23 Competition



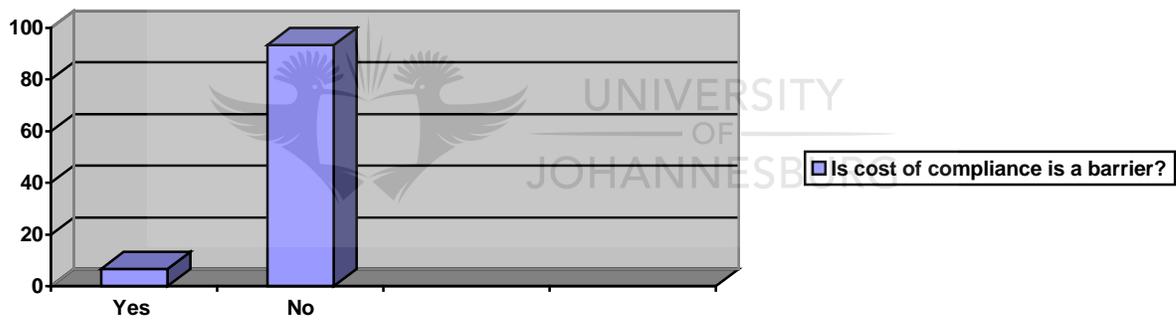
Eighty three percent of the respondents felt that competition was high in Mamelodi.

4.24 Market Growth Potential



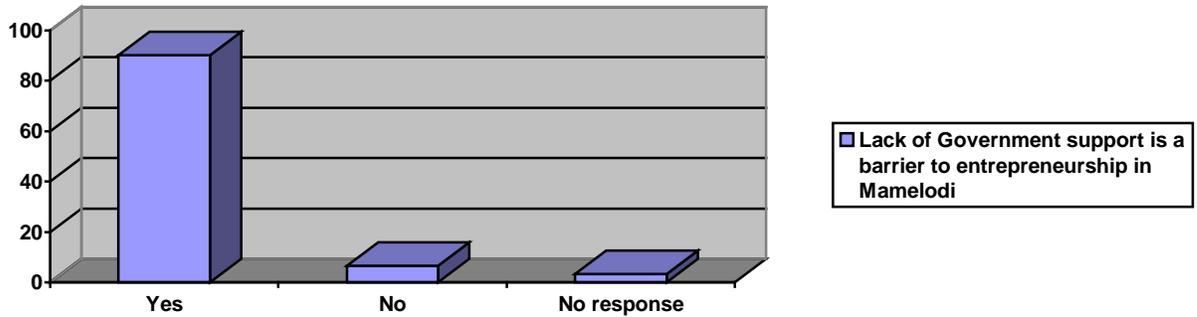
Ninety seven percent compared to only 3% of respondents felt that there is still market expansion potential in Mamelodi to grow their businesses.

4.25 Cost of compliance



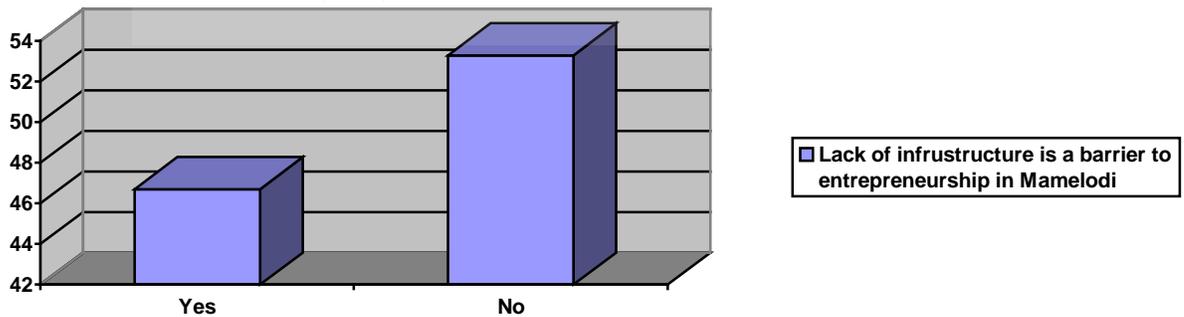
Ninety three percent of the respondents did not feel that cost to compliance was a barrier to businesses in Mamelodi.

4.26 Government support



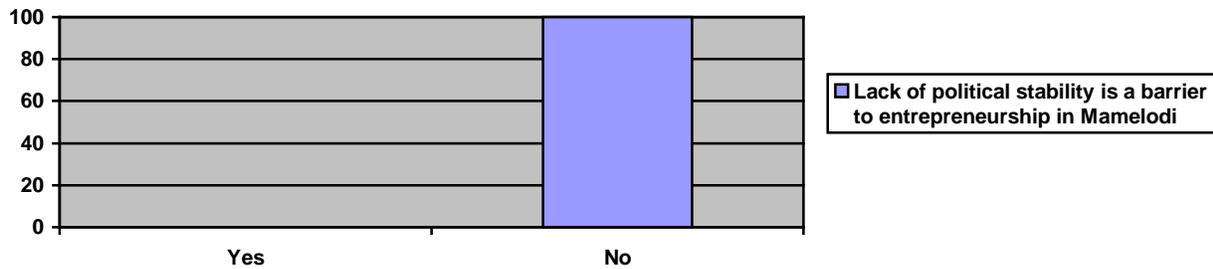
Ninety percent of the respondents believed that the lack of Government support for township entrepreneurs in Mamelodi is a barrier to establishing, sustaining and maintaining enterprises in Mamelodi.

4.27 Infrastructure



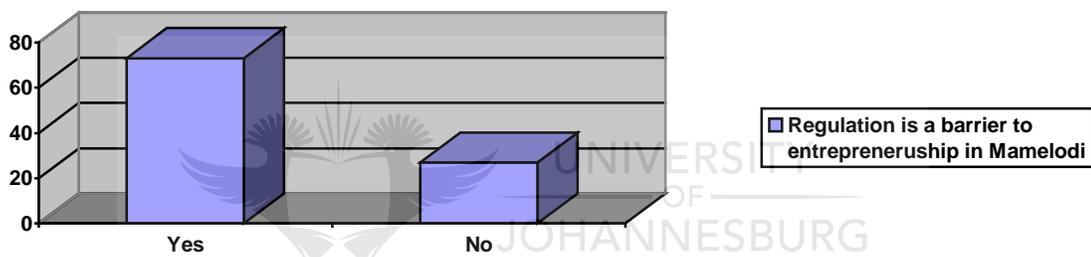
Fifty three percent of the respondents did not think that there is lack of infrastructure in Mamelodi that served as a barrier to entrepreneurship, whilst 47% thought that there is lack of infrastructure in Mamelodi that served as a barrier to entrepreneurship.

4.28 Political Stability



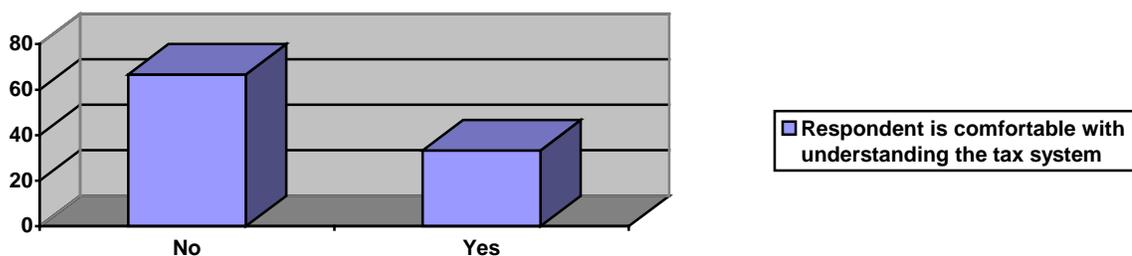
None of the respondents was of the opinion that there was political instability in the country that served as barrier to entrepreneurship.

4.29 Regulation



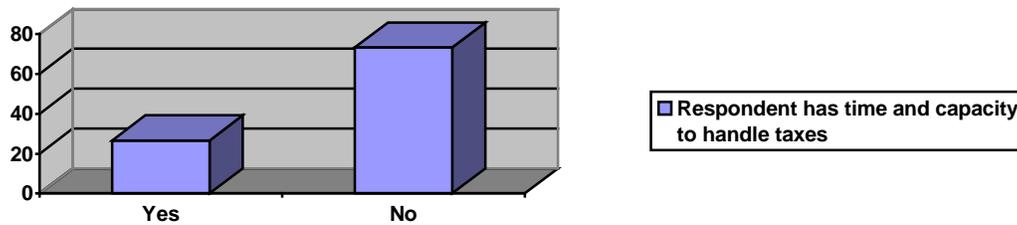
Seventy three percent of the respondents against 27% of respondents were of the opinion that Government regulations provided barriers to entrepreneurship for township entrepreneurs in Mamelodi.

4.30 Tax system



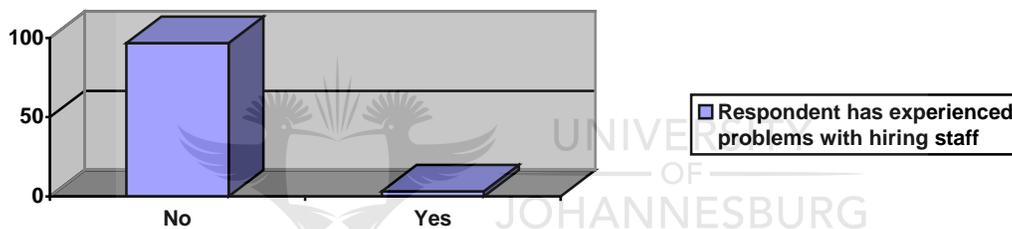
Sixty seven percent of the respondents were not comfortable with their understanding of the South African tax system with which they had to comply.

4.31 Capacity to handle taxes



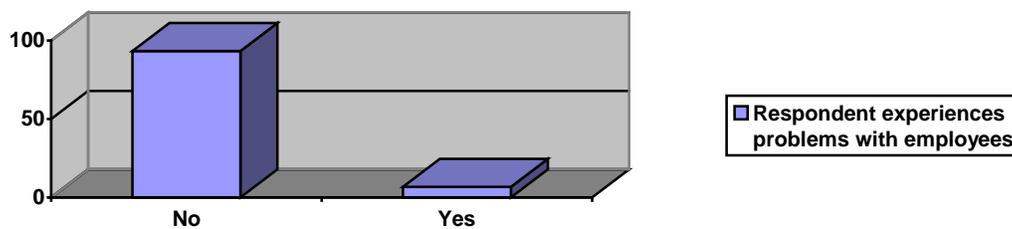
Seventy three percent of the respondents expressed the view that they did not have the time or the capacity to handle the administration of taxes.

4.32 Problems with hiring staff



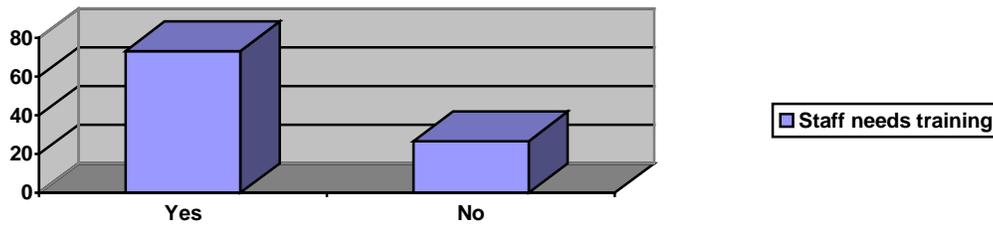
Ninety seven percent expressed the opinion that they did not have a problem with hiring staff to work in their businesses.

4.33 Respondent experiences problems with employees



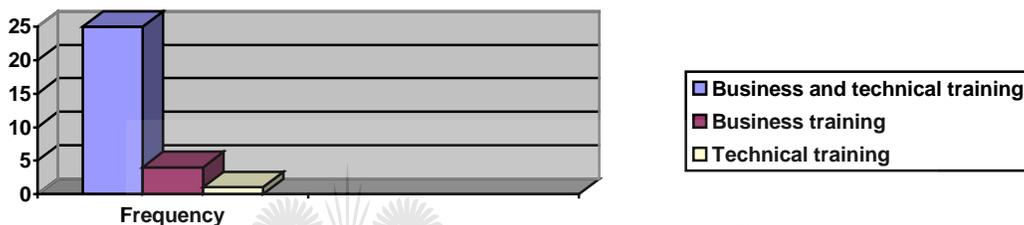
Ninety three percent of the respondents expressed that they did not experience any problems with staff members.

4.34 Need for staff training



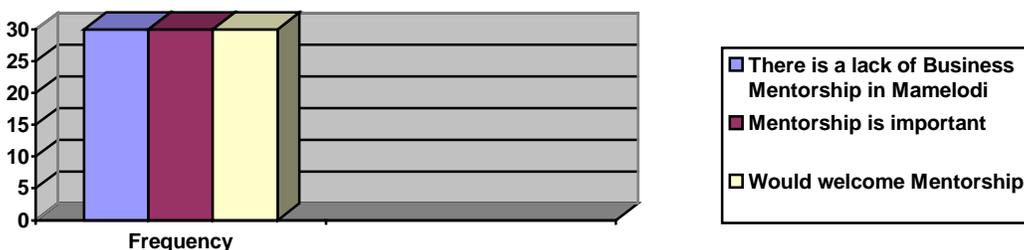
Seventy three percent of respondents expressed that their staff members required training.

4.35 Kind of staff training



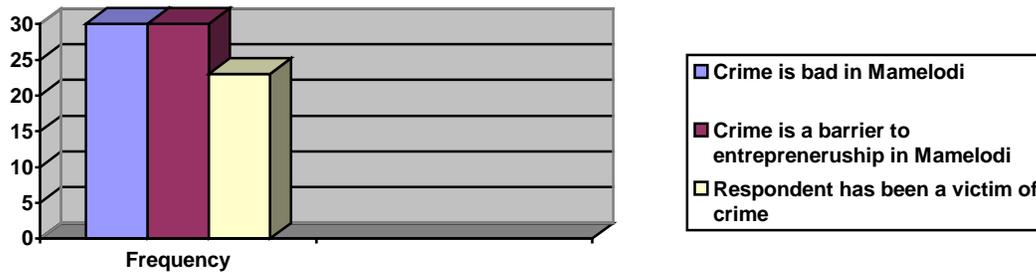
Eighty three percent of the respondents expressed that their staff would benefit from business and technical training, 13% expressed that their staff would benefit only from business training, and 1 responded that the staff would benefit only from technical training.

4.36 Mentorship



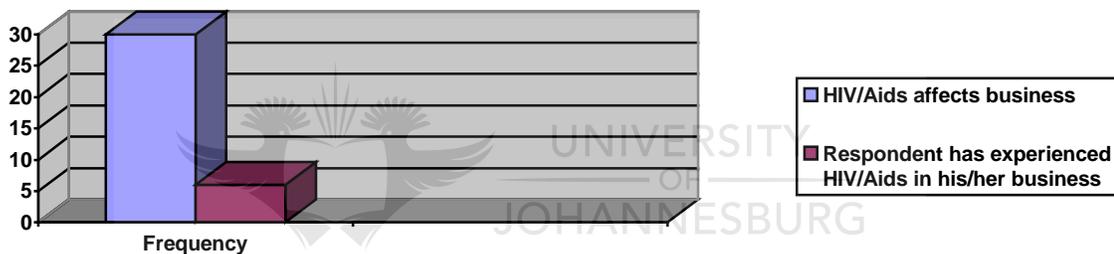
All respondents agreed that there is a lack of business mentorship in Mamelodi. All respondents were of the opinion that mentorship is important, and all expressed that they would welcome mentorship in their business.

4.37 Crime



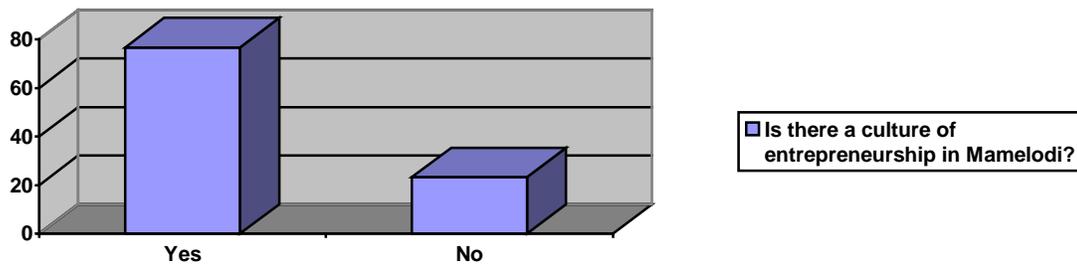
All of respondents are of the opinion that crime in Mamelodi is bad, with 100% of the respondents are of the opinion that crime is a barrier to entrepreneurship, and 77% or 23 out 30 respondents have been victims of crime in their business.

4.38 HIV/Aids



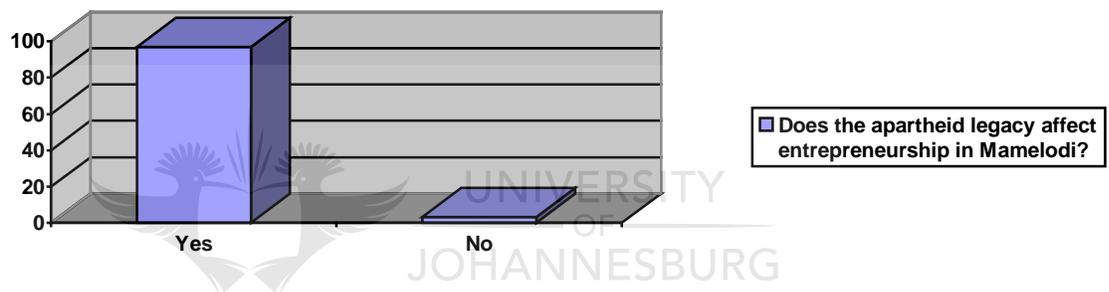
All respondents are of the opinion that HIV/Aids affects business, however only 20% have experienced HIV/Aids in their business. Nine staff members employed by the respondents and 1 respondent is either affected by or died of HIV/Aids or HIV/Aids related disease.

4.39 Culture of entrepreneurship



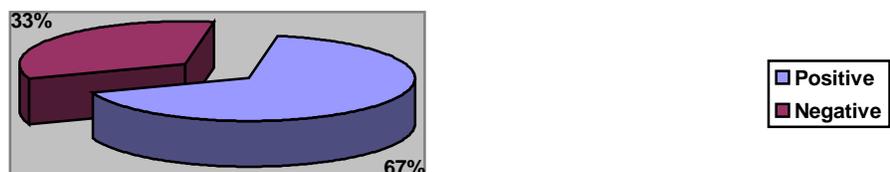
Seventy seven percent of respondents are of the opinion that there is a culture of entrepreneurship in Mamelodi.

4.40 Apartheid legacy



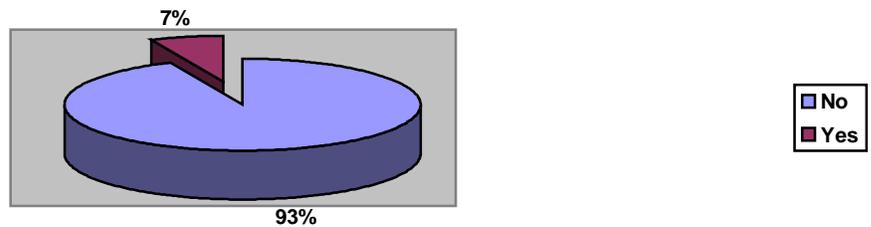
Ninety seven percent of the respondents are of the opinion that the apartheid legacy has affected entrepreneurship in Mamelodi.

4.41 Gender



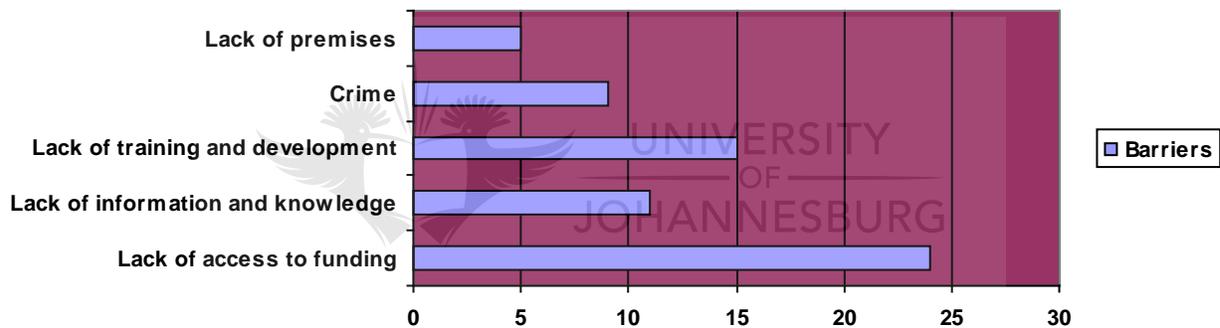
Sixty seven percent of respondents had a positive view about women engaging in entrepreneurial activity, whilst 33% expressed negative opinions about women engaging in entrepreneurial activities.

4.42 Role Models



Ninety three percent of the respondents did not believe that there were any business role models in Mamelodi.

4.43 Five major barriers to entrepreneurship in Mamelodi



The respondents were asked to rank what they considered the 5 barriers to starting, maintaining or growing a business. The five most frequently mentioned barriers were as follows, in order of highest frequency to lowest frequency:

- Lack of access to funding – 24 frequencies
- Lack of training and development – 15 frequencies
- Lack of knowledge and Information – 11 frequencies
- Crime – 9 frequencies
- Lack of business premises – 5 frequencies

Conclusion

The findings presented in this chapter attempt to answer the research question posted earlier in this study - *What are the barriers that SMME entrepreneurs in the township of Mamelodi perceive or experience in establishing, sustaining and growing enterprises?*

The analysis and further discussion of the above findings are discussed in Chapter 5.



CHAPTER 5

Analysis of findings

5. Introduction

This chapter aims to analyse, interpret and discuss the findings presented in Chapter 4. The links between the findings and the literature review discussed in Chapter 2 are also discussed. The limitations to the study, as well as the lessons learned from pretesting are also discussed in this chapter.

5.1 Demographics

5.1.1 Gender

The majority of respondents were male. Given that women constitute 52.2 per cent of the total population in South Africa (Zindiye & Mwangolela, 2007), the representation of women in the sample appears low. In the literature it has been suggested that culture and societal perceptions can be considered as barriers to (female) entrepreneurship. According to the findings in this study, the majority of respondents had a positive view about women engaging in entrepreneurial activities. Some of the positive responses recorded include statements such as “women are as capable as men in business”, “women tend to be more focused than men”, “there is a lot of women in business that are bread winners and are looking to succeed, they should be assisted in business”, “women seem to do well in business as they seem to sacrifice more to earn a living”, “women are getting better educated and they will do well in business”, “women are more independent lately”, “women are well capable of succeeding in business, they are human being with brains”, “Gender is not a problem it depends on the individual” or simply “there is nothing wrong with women in business”.

The few respondents who had a negative view about women engaging in entrepreneurial activities have expressed statements such as “women are not good for business, they are too emotional”, “the time for women to be in business is not yet here”,

or “women are inferior in business”. Of the three women interviewed, only one responded stating experiencing a problem because of her gender. She noted stating that she is disrespected in business because she is a woman. The other two have not experienced a problem because of their gender in respect of their business.

The majority of the respondents however acknowledged that there are still negative perceptions about women in business. One respondent stated that some barriers that women experience based on gender are self-imposed. Due to cultural expectation women stick to only what they are expected to do, and do not venture into business.

5.1.2 Age

The majority of the respondents or business owners were over the age of 40 years. In fact, 70 per cent of the respondents were past what is considered to be youth (between 14 and 35 years old, according to the National Youth Agency Act of 2008). Only 1 of the respondents was between 20 and 25 years old.

The literature review suggests the importance of youth in entrepreneurial activity, and proposes that through introducing youth to entrepreneurship, the basis of an entrepreneurial culture and mindset is built.

5.1.3 Place of birth

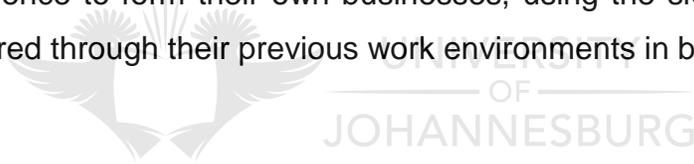
The majority of the business owners interviewed were born and schooled in Mamelodi or in areas around Pretoria. This suggests that most respondents started businesses in areas that were familiar to them. The respondents are probably familiar with the environment, the culture and the people making the ‘spotting’ (identification) and developing of entrepreneurial activities easier.

5.1.4 Schooling and training

Chen (2007:59) and Rae (2007:30) in the literature review emphasised the importance of education in creating successful SMMEs. The findings in the study seem to support this view. The majority of the respondents indicated that education was important in running a business. All but two respondents have a Matric qualification, 60 per cent of the respondents have some form of tertiary education, and 60 per have some form of business training.

5.1.5 Work experience

Work experience is positively correlated to age. All but two of the respondents had previous work experience, of whom 83 per cent had related work experience. The findings therefore indicate that the majority of the respondents leveraged from their related work experience to form their own businesses, using the skills and the training that they had acquired through their previous work environments in businesses they own today.



5.2 Entrepreneurial Orientation

The majority of respondents stated that either one or both of their parents were involved in some form of entrepreneurial activity when they were growing up, and the majority also indicated that there is a history of business in their family. This supports Rae's (2007:29) assertion that family, role modelling and social background play an important role in a person's entrepreneurial orientation.

However, of concern is that a low number of respondents responded that either their parents shared business lessons, or were actually taught about business while growing up. This brings the question, are parents or family involved in business doing enough to encourage entrepreneurship or to impart knowledge to the next generation?

Of note is that even with a high number of parents being in some form of entrepreneurship, or a high response to history of family business, only 37 per cent of

the respondents wanted to become entrepreneurs while growing up. This suggests that the majority of respondents decided later on in their lives to become entrepreneurs. This emphasises the statement put forward in literature by Kunene (2008) and Nieman and Nieuwenhuizen (2009) that most South Africans are not oriented to become entrepreneurs, but rather to become employees. Hence, 63 per cent of respondents wanted to become professionals as this is/was seen as a better career option.

Contrary to the findings of the OECD (2003/2004), a significant majority of respondents do not think that culture or cultural obstacles have any influence on entrepreneurship. The respondents expressed that it is up to an individual whether he/she becomes involved in entrepreneurship or not. Nieman and Nieuwenhuizen (2009) indicate that African culture has a low risk aversion for uncertainty, however contrary to this and other findings, this sample indicated that culture is not a major barrier to entrepreneurship.

The foremost lesson or attribute the majority of respondents learned from their parents while growing up (and that still applies to their lives and business today) is hard work. This also appears on a list of attributes of entrepreneurs presented in the literature by Rae (2007). Other attributes such as decision making, innovation or creativity and discipline were also mentioned by respondents.

5.2.1 Reason for starting a business

The ratio between pull factors and push factors that led the sample towards entrepreneurship, is 6 to 4. The majority of respondents indicated that they started the business to gain independence and be self-employed, which was the predominant pull factor. In line with Greyling's (2007:10) argument, this can be seen as exploring opportunities or an opportunity to lead a different (better) lifestyle. Rwigema and Venter (2004:13) refer to pull and push factors. In fact, 70 per cent of responses to the question, why did you start your business? - can be referred to what is known as pull factors. Responses such as "always wanted to be in business", "I am passionate about cars", or "I took over a family business" were given. The push factors that have lead 30

per cent of the respondents to start businesses are reflected in responses such as “I could not find work”, “I had problems at work” or “to get out of poverty”. All the respondents’ businesses or entrepreneurial activity represent venture entrepreneurship and not innovative entrepreneurship as defined in Chapter 2.

5.2.1.1 How business was started

A variety of responses were received with regard to this question, however what stands out is that the majority did not borrow funds from financial institutions to start their businesses. The majority of the respondents started either in the back yard, used savings to start their business, started their businesses whilst still in other employment or borrowed money from family and friends to start their business.

5.3 Business

5.3.1 Types of business entities

All but one of the businesses of the respondents are formally registered (the one exception being a sole proprietor). The majority of businesses are registered as close corporations. The reason for this choice of entity is due to the opinion that it is easy to administer, and the regulation to adhere to for this type of entity, suits the SMME type of operation.

The second largest entities in the sample are Cooperatives. When asked why they had decided to trade as cooperatives, respondents indicated that the Government had suggested this form of entity to pool in resources, and to be able receive Government support and Government work.

5.3.2 Age of business

The majority of the businesses are between 1 to 5 years old. Again this emphasises that most of the respondents had started their businesses after the period termed youth. Only 4 businesses are over 20 years old. This might also have to do with a point raised in literature that people in townships were not allowed to or encouraged to own business until fairly recently.

5.3.3 Employees

Most businesses (70 per cent), given that they fall under the SMME sectors, employ between 1 to 5 people, while only one employs more than 30 people. In all the businesses in the sample the owners are involved in the day to day running of the business. In total, the businesses included in the sample employ 176 employees (including the owners who work in the business,) , an average of 6 per business. The effect of SMMEs and entrepreneurship towards employment creation are reflected in the number of people employed in this sample.

The majority of respondents expressed that they did not have a problem with hiring staff. This is due to the high demand for employment in Mamelodi, and the fact that most of the businesses in the sample require only low- or unskilled staff to work in them. The majority also expressed that they did not experience problems with staff member in their employment. The few that experienced problems with the staff, experienced problems such as absenteeism, theft, staff leaving after a little training, demanding higher wages or even staff expressing statements such as “you cannot work for another black person”.

5.4 Barriers

5.4.1 Economic Barriers

The current recession was found to be the highest economic barrier to entrepreneurship by the respondents. The effects of the recession included reduction in turnover and profits due to limited funds at people's disposal, increased unemployment due to people losing their jobs (which led to less business), and less demand for products and services.

Other significant barriers in the economy expressed by respondents included high interest rates and bank charges which affect their operating costs.

The majority (90 per cent) of respondents have had problems with accessing finance from financial institutions either to start a business or grow their business. These findings were consistent with the findings of Mahadea, (2008); Barth et al., (2006); Mutenzo, (2005) and OECD (2003/2004). The responses included amongst others the following "the bank wanted collateral which I did not have", "the paperwork was too cumbersome", "the bank would not give me a loan because I did not have a credit record", "banks have a negative attitude towards SMMEs", "the bank did not want to lend me money because of the colour of my skin", "the bank wanted financial statements, but I do not keep financial statements", "there is a lot of red tape when looking for finance" "Banks want people who already have money" or "Khula and NEF are not accessible".

The responses above with regard to access to funding, support the findings of Mahadea (2008) who identified the lack of financial record keeping and lack of proper financial management which are considered as prerequisites by financial institutions when considering lending money to SMMEs, as deterrents to access to funding. The findings also support Kunene's (2008) assertion that the negative perceptions of SMMEs by financial institution, and lack of collateral are among the barriers that hinder SMMEs from accessing finance.

The majority of respondents responded that they have a problem with bookkeeping and managing of finances within their business. This stems mostly from the fact that they have not had training in this regard. A number of respondents hire bookkeepers to help with the bookkeeping and tax administration, however indicate that the costs of these services are quite high and negatively influence the relatively small profit of an SMME.

5.5 Customers

The major barrier posed by customers is what has come to be known as “Township Pricing”. This refers to the customers expecting and bargaining for prices charged by township businesses to be lower than those charged by similar businesses providing similar products or services from areas outside the townships (like CBDs). This means that the township businesses have to cut their margins to the minimum. This leads to the second barrier with regard to customers which is lack of funds due to poverty and unemployment. Because of the aforementioned customers insist on paying the lowest price possible.

The respondents also felt that some customers do not respect black business, seeing black business as inferior to white business, therefore preferring to do business with white businesses at higher prices, but demanding “township prices” from black business.

5.6 Competition

The majority of respondents (83 per cent) felt that competition was high in Mamelodi. Expressing statements such as “people like to copy what other people are doing”, or “big business coming into townships provides competition”. Even though a high percentage felt that competition was high, an even higher percentage (97 per cent) felt that there is still market growth potential for their businesses in Mamelodi. This may seem contradictory, given the limited demand created by unemployment and limited spendable funds and high competition. Gilmore, Carson and Grant’s (2001) claim of collaboration between competitors in the SMME sector was proven several times when the researcher observed respondents referring customers to competitors for goods that

they did not have in stock, but which the competitors might have in stock even offering directions to the competitors' stores.

5.7 Regulatory Barriers

5.7.1 Cost of compliance

The majority of respondents did not feel that cost of compliance was a barrier. This must be considered against what was mentioned earlier about the simplicity of SMMEs and the non-complex and inexpensive registration and regulation of close corporations.

5.7.2 Government support

An overwhelming number of respondents (90 per cent) believe that lack of Government support for township entrepreneurs in Mamelodi is a barrier to establishing, sustaining and maintaining enterprises in Mamelodi. This view was expressed in statements such as: "I have given up on Government", "there is corruption and nepotism in Government", "people cannot access funds due to corruption", "Government is even taking away business from local SMMEs", "there is no information or marketing available from government with regard to initiatives or support they offer", "I have tried to obtain funds from the National Empowerment Fund and Khula, but they would not help", "Khula wanted to charge me high amounts to help with business plan", "Government does not give tenders or work to small business", or "Government regulations like the National Credit Act limits borrowing to business". In fact, the majority (73 per cent) of respondents felt that government regulation (including tax legislation) provided barriers to entrepreneurship.

There seems to be a discrepancy between the Government's regard for SMMEs, and the respondents, perceptions or experience with regard to Government support. The majority of respondents do not feel that the Government supports SMMEs and entrepreneurship in Mamelodi.

5.8 Infrastructure and technology

A slight majority (53 per cent) of respondents did not think that there is a lack of infrastructure in Mamelodi that served as barriers to entrepreneurship. The slight minority that felt that the lack of infrastructure was a barrier to entrepreneurship in Mamelodi, pointed to roads that hinder travelling or transportation, and the dilapidated state of some of the business premises from which they had to operate. The lack of business premises to operate from was also seen as a limiting barrier to entrepreneurship.

The majority of respondents felt that the lack of technology in the township was one of the barriers to either starting or growing their business. Responses such as “I need an industrial machine to grow my business”, “I cannot afford the computers to expand the business”, or “If I had an inventory management system I could manage the business better”, were given by the respondents. Of interest in the findings is that a number of respondents stated that they are not willing to invest in technology because of crime. Some of the respondents have had computers and other machines stolen from their premises, and are no longer prepared to make technological investments that could help benefit their businesses.

5.9 Political stability

None of the respondents felt that there was political instability in the country that served as a barrier to entrepreneurship. However, most of the respondents expressed corruption in the Government as a concern that might lead to conflict.

5.10 Tax

The majority of respondents expressed that Government regulation was a barrier to entrepreneurship. The tax system was indicated as a limiting barriers, thus supporting Kunene's (2008) view. The majority of the respondents (97 per cent) indicated that they

were not comfortable with the tax system in terms of understanding, whilst a greater majority (73 per cent) indicated that they did not have the capacity to handle the administration of taxes in their business. The responses in this regard proved consistent with the literature of Mahadea (2008) who expressed similar sentiments with regard to the burden posed by the administration and lack of expertise and capacity to handle taxes.

The lack of understanding of the tax system stems from lack of training. The owners are involved in the day to day operation of the businesses, and that takes up their time and capacity, leaving them unable to handle the administration of the taxes. A substantial amount of respondents have indicated that they have enlisted the help of bookkeepers, however the cost of these services are high, and some have had problems with dishonest bookkeepers in their businesses. Those who use the help of bookkeepers do not employ them on a permanent basis, as they would not be able to afford the cost.

5.11 Training and development

The logo of the University of Johannesburg, featuring two stylized birds facing each other with their wings spread, and the text 'UNIVERSITY OF JOHANNESBURG' in a serif font.

Training and development is seen as essential by the majority (73 per cent) of respondents who expressed that their staff would benefit from training and development initiatives. The majority expressed that their staff would benefit from both business and technical training in the work that they do. Statements such as “I would like my staff to undergo customer service training”, or “my staff needs further training in car mechanics”, or “I have arranged with Shell to train more supervisors”, were expressed.

The majority of respondents have expressed that they themselves have undertaken to train their staff and share skills with them. Four of the owners have expressed intentions to set up a skills training initiative to train not only their staff, but also people aspiring to be in similar businesses.

A significant majority of the entrepreneurs stated that they also need training and can benefit from training. The areas of training which the respondents highlighted as

required most are management, marketing and financial management. These areas are seen as important in helping respondents grow and sustain their businesses. The areas of training identified by respondents are consistent with the areas identified in the literature by Malebana (2009) and Shakantu, Kaatz and Bowen (2002), indicating that training in these areas can facilitate growth in enterprises.

5.12 Mentorship

All respondents expressed that they see mentorship as crucial in developing entrepreneurship. Therefore, consistent with the findings of Kunene (2008) and OECD (2003/2004), all expressed the opinion that they would welcome mentorship in their business. However, all respondents also noted that there is a lack of business mentorship in Mamelodi, expressing views such as “successful business people in Mamelodi are not accessible,” or “people do not like to work together in Mamelodi”. A few respondents expressed that mentors (especially in their industry) would benefit their business a lot. All respondents agreed with regard to the importance in transferring entrepreneurial skills.

5.13 Crime

Unequivocally, all respondents expressed that crime is bad and was a barrier to entrepreneurship in Mamelodi. A high percentage (77 per cent) have been victims to crime. One respondent expressed that his business has been burgled 16 times since he started operating, and another one 10 times. Crimes experienced by respondents range from burglary which was mentioned the most, theft and armed robbery. The respondents also expressed that they had been victims of embezzlement and internal theft. This finding proves Isaac and Friederich's (2007) and Malebana's (2009) findings that both internal and external crime is considered limiting factors to SMME entrepreneurship.

5.14 HIV/Aids

All respondents expressed that they believed HIV/Aids influences business. However, only 20 per cent have experienced HIV/Aids in their business. The effects on business included staff members staying away from work due to illness, respondents having to take the staff member to the hospital for treatment, slow productivity due to illness, and respondent expressed that he had to contribute to the funeral costs of one of the staff members who passed away due to HIV/Aids related disease. One respondent indicated that he is infected with HIV and currently living with it.

Some of the respondents acknowledged that because of their informal hiring system and human resources practices they could not know for sure the number of staff members infected and the effects of HIV/Aids on their businesses.

The effects of HIV/Aids even though acknowledged, do not seem to be high as suggested by Isaac and Friederich (2007).

5.15 Culture of entrepreneurship in Mamelodi

The majority of respondents (77 per cent) felt that there was a culture of entrepreneurship in Mamelodi. The following reservations were however expressed:

“The culture of entrepreneurship is however only survivalist”, “people lack the knowledge of starting a business”, “there is no culture of generation to generation businesses”, “businesses are however not growing”, “the culture is there but people are only looking to make quick cash”, “there is a lack of training”, “there is an everyone for himself attitude in Mamelodi, instead of people helping each other start business”, “Mamelodi is seen as inferior by institutions with concentration of initiatives on Johannesburg where the money is”, and “there is a culture of entrepreneurship, but mostly in the informal sector”, people are shying away from the formal sector”, and “people do not know what to do or how to start”.

Those who felt that there is no culture of entrepreneurship in Mamelodi expressed the following”, “People are not determined and want easy money”, “there is lack of support for local business from local communities”, “people don’t want to see someone else flourish”, “people are not entrepreneurial, but just copy”, “people do not want to help themselves toward entrepreneurship”, “entrepreneurship is still seen in a negative light”, “people not willing to do things themselves” and “people prefer to work”.

The culture of entrepreneurship is inhibited by issues like lack of knowledge, lack of skills, people’s attitudes, lack of institutional support, and lack of entrepreneurial and personality traits that are conducive to entrepreneurship and entrepreneurial orientation. All these have been discussed in the literature and as evident, affect the culture of entrepreneurship as well and not only entrepreneurial orientation.

5.16 Role Models

A wide majority (93 per cent) of respondents are of the opinion that there were no business role models in Mamelodi. The most common supporting statement for this response was that people in Mamelodi look up more to criminals who are flashy and seem to make quick and easy money. Supporting this response, were statements such as “successful business people leave the township”, “those that are left in the township are not accessible”, or “those successful business people have no rapport with the community”.

5.17 Apartheid legacy

All but one of the respondents believed that the apartheid legacy affected entrepreneurship in Mamelodi. Most respondents expresses that the effects of apartheid or the legacy of apartheid were more cognizable in the self image of people. The respondents made statements such as “apartheid affected trust amongst people and people don’t want to share”, “parents still believe that their children must work for someone (whites)”, “apartheid has affected people’s mentality as they think that other

black people and their businesses are inferior to white people and their businesses”, “township people tend to think small due to the influence of apartheid legacy on them”, “apartheid limited and channelled people”, or “people in the township are too expectant of the present Government and not willing to start something”.

On the more practical side, respondents feel that apartheid affected the quality of education that black people received, thus limiting them entrepreneurially. The apartheid legacy has left limited resources available to black people, and black people are still discriminated against by suppliers and by financial institutions.

The findings expressed by the sample supplement the view expressed by Kunene (2008), Mahadea (2008), Phaho (2008), Rwigema and Venter (2004) and Selai (2004) who have all indicated that apartheid and the apartheid legacy hinder or have hindered black entrepreneurship.

The effects of apartheid and the legacy it has created and left are still clearly limiting entrepreneurship. However, whilst a wide majority of respondents acknowledged the effects of the apartheid legacy, the wide majority also acknowledged and stated that ultimately, it was up to the individual person or entrepreneur to succeed and overcome this barrier and (perceived) injustices of the past.

6 Limitations to the study

The study was only conducted in one area, which is Mamelodi, and a purposive non-probability sampling method was used. This means that the study might not be representative of opinions of all entrepreneurs in Mamelodi.

Most of the interviews were conducted in vernacular language. This presents possibilities for bias and loss of meaning created by translation of the questions posed to the clients, as well as responses from clients that had to be translated into English for the purpose of this paper.

The respondents also could not take too much time out of their business days, meaning that there were constrictions of time, as well as distractions while most of the interviews were being conducted. This might have affected the quality of the interviews.

7 Lessons from the first three interviews used for pretesting

The following lessons were learned during pretesting:

- The researcher had to refine the sequence of questions to flow better with certain themes
- Some respondents were against the using of the digital recorder, meaning that more detailed notes had to be taken

Conclusion

The findings and analysis of the study are consistent with what is expressed in our literature findings. The analysis in this chapter expresses barriers both general (that are experienced by entrepreneurship around the world) and those unique and peculiar to township entrepreneurs. It must be expressed that from the analysis it seems as though most respondents face similar barriers, and that these barriers emanate from deeper societal issues. The conclusion and recommendations are discussed further in the following chapter.

CHAPTER 6

Conclusion and Recommendations

6. Introduction

This chapter aims to provide a conclusion to the study. The chapter further makes recommendations with regard to solutions that can help address some of the findings in the study. Firstly, however, the chapter discusses the benefits of entrepreneurship as stated in the literature and as confirmed in the study. Concerns identified in the study are also raised.

6.1 The benefits of entrepreneurship confirmed in the study

In the prelude to the study, entrepreneurship and the establishment of SMMEs were said to have certain benefits to the economy, as well as to society. The following benefits of entrepreneurship were confirmed in the research process:

- Through entrepreneurship and SMMEs, jobs are created and unemployment reduced. The thirty businesses in the sample employ a total of 176 people (an average of 6 per business). This indeed confirms the job creation capacity of entrepreneurial activities and opportunities that exist within SMMEs.
- Due to the proximity of township SMMEs, more jobs are also indirectly created. This, as indicated in the study, is due to the fact that because of the availability of resources supplied or sold by SMMEs, local people could leverage from this availability and offer work. An example was given by one of the respondents who stated that because of the close proximity of his hardware shop to the community, female-headed households would often send an unemployed person to buy supplies, and then ask that person to do the handy work for a fee.
- The wealth creation or income generation capacities of entrepreneurial activities and the subsistence created by SMMEs were also confirmed. All the respondents were able to generate income from their business activities. Most of the

respondents were married or had partners and children, and through this income they were able to sustain their families. Furthermore these entrepreneurial activities they were able to pay salaries or wages to their employees who were also able to sustain their dependents.

- Through entrepreneurial activities, people who are employed are able to gain training and skills, thus becoming empowered. Cases where people who were employed in these enterprises and then went on to start their own SMMEs, were noted in the research process. This indicates the power of entrepreneurship to spread entrepreneurial activity and to empower people and societies.

6.2 Concerns resulting from the findings in the study

Though the benefits of SMME entrepreneurship are stated in the study, issues of concern are also noted and should be addressed. They include the following:

- The number of women who are involved in the SMME entrepreneurial activity in Mamelodi , appears to be low, given that women represent the majority of the South African population, and given the fact that there appears to be a generally positive attitude about women becoming involved in business. This issue is a matter of concern.
- The participation of those who are considered youth (18 years to 35 years) also appears to be low. If an entrepreneurial culture is to be created in Mamelodi and is to be passed on from generation to generation, more youth entrepreneurs need to emerge.
- Of concern are also the deep rooted “scars” that have been left by the apartheid legacy which is still affecting people in Mamelodi. These scars appear to be mostly psychological, and affect the way people view themselves and those around them. After 15 years of democracy in South Africa, it seems as though the legacy of apartheid still negatively impacts societies and business.

6.3 Barriers identified in the study

According to the study, the following were ranked as the five major barriers, or perceived barriers to entrepreneurship in Mamelodi:

1. Lack of access to funding
2. Lack of information and knowledge
3. Lack of training and development
4. Crime
5. Lack of premises

However, apart from the above barriers or perceived barriers identified/ranked by the respondents, the following also emerged from the study:

- A lack of entrepreneurial orientation exists that can lead to entrepreneurial activity at a later stage. Early entrepreneurial orientation through formal or informal education either from parents, role models or formal schooling seems to be lacking. This has manifested in people preferring to enter the formal job market instead of becoming entrepreneurs.
- Associated to the point above, the lack of business role models, as well as mentors (who could be regarded as entrepreneurial leaders in communities) appears to have adverse effects with regard to the establishment of an entrepreneurial culture or orientation.
- The lack of or perceived lack of Government support is a theme that emerged constantly in the study, either through the lack of assistance to access funding, lack of provision of work to SMMEs, or other forms of support. Government regulation and the tax system imposed, also appear to hinder entrepreneurship in Mamelodi.
- The minimal use of technology in township businesses probes a deterrent. From observation of the researcher and admittance of the respondents, there is a lack of technology that can enable the strengthening of enterprises in Mamelodi. This

can be by means of improved machines, computers or software programmes that can help manage inventory. Crime has been mentioned to be one of the reasons that there is no investment in technology.

- The lack of Innovative Entrepreneurship which emphasises invention and technological advancement in Mamelodi. All the entrepreneurial activities that are represented in our sample were necessity and/or venture entrepreneurship.

6.4 Assumptions challenged by the study

The following held notions were challenged by the findings of the study:

- The notion that people started SMMEs due to lack of work or unemployment. The study indicated that the majority entered into entrepreneurial activity to attain independence and become self employed. The majority of the respondents indicated pull factors in establishing enterprises.
- The notion that SMME entrepreneurs in the township had minimal education and experience, was also challenged with the study confirming that the majority had some form of tertiary education qualification and related work experience.
- The notion exists that female entrepreneurs are viewed negatively due to cultural or societal expectations. Of the few female entrepreneurs interviewed, only one felt that their gender was a barrier, whilst the other two did not feel that their gender was a barrier in business. The majority of the male respondents also had positive views about women's involvement in entrepreneurship.

6.5 Recommendations

Stemming from the findings made in the study, the following recommendations are suggested:

- Early entrepreneurial orientation programmes are recommended to be set up by Government and communities to teach and orientate children into entrepreneurship. These can be done formally through schooling modules, or informally through community programmes or intervention programmes. The emphasis of these programmes should be to offer entrepreneurship as a viable career option, and to offer practical lessons in entrepreneurship.
- Programmes specifically targeting women and youth in order to train them into entrepreneurship, are recommended to further increase the participation of these two groups of people in the business community.
- To further advance the entrepreneurial impact not only on the entrepreneurs in question, but the community as a whole, more innovation entrepreneurship instead of the current necessity entrepreneurship needs to be encouraged.
- The impact of education on entrepreneurship has been discussed in the paper. Quality formal and tertiary education that is both technical and practical, needs to be made available to the majority of society to increase the chances of entrepreneurship.
- More work-related experience must be created by both the government and the private sector in the form of internships, in-house training, and even volunteer opportunities. The study has indicated that most respondents had related work experience before starting their own enterprises.
- Mentorship programmes should be set up. These can be encouraged by offering interested mentors incentives for getting involved in the development of up-and-coming entrepreneurs.
- Even though Government is currently running programmes in terms of entrepreneurial development, one of the biggest issues raised in the study was that people did not know about these programmes. Better communication and

marketing of Government initiatives need to be implemented. This can be done through more advertising, setting up offices close to the communities; and explaining more and in detail what is on offer, and how these programmes can benefit entrepreneurs and their communities.

- The need for training and development cannot be over emphasised. Training in the areas of Management, Financial Management, Taxation and Marketing is of vital importance as stated by the respondents in the study
- It is recommended that the establishment of a formalised organisation involving SMME entrepreneurs and owners takes place in Mamelodi. This organisation will help mobilise the owners, and through this organisation most of the above mentioned initiatives can be pursued. The organisation can serve as a platform for sharing knowledge, providing training, negotiating with authorities, communicating, networking and forming business networks and linkages
- Given the negative findings in the study with regard to financial institution, it is recommended that these institutions engage more with SMMEs and attempt to understand the SMME market and the problems that this market encountered and have to deal with. By doing so, financial institutions might gain insight into developing products that might actually help SMME development. Although Khula does provide funding through financial institutions, Government also needs to find better ways to offer incentives or guarantees to financial institutions, and mitigate some of the risk that these institutions will face in providing access to finance to township SMMEs.

Conclusion

The findings of the study of perceived barriers experienced by township SMME entrepreneurs in Mamelodi, have proven to be consistent with the findings already in literature, and of those published by respected bodies such as the OECD, World Bank and the South African SMME Business Confidence Index Report.

The importance of entrepreneurship and the existence and establishment of SMMEs in contributing towards employment, wealth creation, an improved economy and an improved lifestyle, cannot be denied and underestimated. Through the study it has been determined that the answer to the research question is a complex one. The barriers to entrepreneurship are found in a range of areas, including amongst others psychology, institutions, the business environment, the economy, past legacies, culture and in the society itself. In this regard, it will take complex solutions which should include various stakeholders including parents, role models, mentors, Government, big business, communities and indeed individuals, to overcome these barriers and to create an entrepreneurial culture and mindset.

Further research is recommended on this topic, as suggested by Cichello (2005).

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Annexure A: Consistency Matrix

| Objective | Research question | Literature | Research Instrument | Data Collection | Data Analysis |
|---|---|---|--|---|--|
| To identify the barriers perceived by SMME entrepreneurs in the Township of Mamelodi Pretoria in establishing, sustaining and growing enterprises | What are the barriers that SMME entrepreneurs in the township of Mamelodi, Pretoria perceive in establishing, sustaining and growing an enterprise? | Kunene (2008); Nieman and Nieuwenhuizen (2009); Cichello (2005); Greg Dust (2007); Cichello, Almeleh, Ncube and Oosthuizen (2006) and Porter (1979) | The interviewer (as a tool) and a standard, structured interview schedule to be used in structured research interviews | Structured, standard research interview, data recorded via a audio digital recorder and notes to be taken | Qualitative analysis. including coding, categorising, theming and content analysis. Constant comparison of data to be undertaken |

Annexure B: Interview Schedule

Purpose: The purpose of this interview or interview schedule is to obtain information regarding barriers that SMME entrepreneurs perceive and experience in establishing, sustaining and growing enterprises in Mamelodi.

| | |
|---|--|
| Business and Personal Information (this information is used internally and/or for questions – anonymity is guaranteed) | |
| Name and Surname | |
| Name of Business | |
| Business Address | |
| Contact Details | |

1. Personal Information of Owner/Entrepreneur

1.1 Gender

1.2 Ethnic group

1.3 Where were you born?



1.4 In what year were you born?

1.5 Can you please tell me about your immediate family?

1.6 Where did you go to school?

1.7 What did you do after school?

Probing:

Up to what grade did you attend school?

Do you have any tertiary qualifications?

Have you had any business training?

Do you have work experience?

Is the work experience business related?

2. Entrepreneurial Orientation

2.1 What did your parents do for a living?

2.2 What were the biggest lessons that your parents taught you when you were growing up?

2.3 What did you want to become when you were growing up?

2.4 Were the people around you interested in business when you were growing up?

Probing:

Is there any history of family business? If yes, explain

Were you taught or trained about business when growing up?

Do you think that culture influences entrepreneurship? If yes how?

3. Business Information

3.1 How would you describe your business to me?

Probing:

Is the business formally registered? Sole Proprietors, CC, Pty (Ltd).

What is the nature of the business?

When was the business started?

How many people does the business employ?

4. Motivation

4.1 Why did you decide to start a business?

4.2 Please tell me about the process of starting your own business

5. Supportive environment

5.1 Economic Factors

What are the barriers that you perceive or experience in the economy and with regard to finance?

Probing:

Interest rates, inflation, unemployment
Access to finance, requirements for obtaining finance, awareness about institutions that offer finance
Financial challenges of the business

5.2 Market

What are the barriers that you perceive or experience in the market?

Probing:

Customers
Market demand
Competitors
Market potential and growth



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5.3 Institutional Factors

What are the barriers that you perceive or experience with regard to political or institutional factors?

Probing:

Cost of compliance
Public support or lack thereof (Government support, NGO or Big Business support)
Infrastructure and technology
Political instability
Regulation
Understanding the tax system
Capacity to attend to tax matters

5.4 Labour Factors

What is your relationship like with your employees?

Probing:

Issues with hiring the right staff
Problems with staff that is currently working in the business
Need for training and development
The kind of training and development required
Mentorship (if required for the owner, and if owner is willing to be a mentor)

5.5 Crime

What do you think about the state of crime in Mamelodi, and how does it affect your business?

Probing:

Has the business been affected and what was the nature of the crime?

5.6 HIV/Aids

What do you think about the effects of HIV/Aids on business?

6. Mamelodi

What do you think about the state of entrepreneurship in Mamelodi?

Probing:

Culture of entrepreneurship
Influence of apartheid
Gender perceptions
Infrastructure
Role Models



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7. Conclusion

What would you rate as the five biggest barriers to entrepreneurship in Mamelodi?

Do you have any final comments to make or questions you would like to ask?