

UNIVERSITY OF KWAZULU-NATAL

**The Role of Entrepreneurship
in Small Business Success
in Pietermaritzburg, South Africa**

By

Chipo Nkosilomusa Mpofu

206502355

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**College of Law and Management Studies
School of Management, IT and Governance**

Supervisor:

Dr W.R. Smorfitt

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DECLARATION

I, Chipo Nkosilomusa Mpofu declare that:

- (i) The research reported in this dissertation, except where otherwise indicated, is my original research.
- (ii) This dissertation has not been submitted for any degree or examination at any other university.
- (iii) This dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
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Acknowledgements

Firstly all thanks and praise to God for enabling me to see this study through,

“Now to Him who is able to do imaginably more than all we ask or imagine, according to His power that is at work within us, be glory in the church and in Christ Jesus.” Ephesians 3v20

I would have never imagined completing a master’s degree at the age of 26.

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Abbreviations

GDP- Gross Domestic Product

GEM- Global Entrepreneurship Monitor

OECD- Organisation of Economic Co-operation Development

SPSS-Statistical Package for the Social Sciences

SMME-Small Medium and Micro Enterprise

Abstract

The objective of this research was to assess the role of entrepreneurship in the success of small businesses using the factors based on the Burch continuum to measure the levels of entrepreneurial activity. The term entrepreneurship is often used inappropriately in respect of all small businesses, and yet in actual fact this term only refers to businesses that have growth and development as sustainable and achievable objectives (Ligthelm, 2008:368). This study used growth in staff numbers as the measure of success. Growth in staff numbers was used because small business owners are generally not willing to give out their financial records or to disclose their firms' financial standing. The law of diminishing returns states that the business faces rising costs as it undertakes to expand or grow. The cause of this being that some fixed factors of production limit profitable growth (Teece, 2000:49). This therefore implies that businesses would not unnecessarily increase their employee numbers unless they were growing and had an increased need for labour.

Using emailed questionnaires to collect the data needed for the research, a simple random sample of 252 SMEs was generated from a pool of 678 companies registered with the Pietermaritzburg Chamber of Business. The data collected was both qualitative and quantitative. SPSS was used to analyse the data.

The information showed that an increase in the level of entrepreneurial activity has a positive impact on the success of a small business. Nearly all the businesses that were successful actively practiced a number of variables that Burch used to measure entrepreneurial activity in his continuum and engaged in more strategic roles as compared to the unsuccessful businesses.

A clear differentiation was found using the roles played by the entrepreneur. The successful businesses were run by entrepreneurs who employed more strategic roles in businesses. The researcher would suggest that further study be done on the relevance of older business theories in relation to business success considering the impact of advanced technology in the present day.

1. Introduction and background to study

1.1 Introduction

South African entrepreneurs have had and continue to have a significantly positive impact on the economy, through venturing in opportunities that not only eradicate unemployment in the societies around them but also meet the needs of the consumer (Nieman and Nieuwenhuizen, 2009:29). Innovation, which is doing something different or new and creativity with the aim of creating wealth, while positively contributing to the economy and adding value to society are all aspects included in entrepreneurship. It refers to the ability of individuals to identify and exploit business opportunities (Burke, Roy and Nolan, 2002:255). The term entrepreneurship is often used to encompass all aspects involved in small business development, and yet in actual fact this term only refers to businesses that have growth and development as sustainable and achievable objectives (Ligthelm 2008:368). It is essential to differentiate small businesses from entrepreneurial ventures even though they both impact the economy positively they serve different economic functions (Nieman and Nieuwenhuizen, 2009:9). The level of entrepreneurial activity in a country can affect the level of economic development (Schumpeter, 1934:97). Entrepreneurial businesses ensure growth in the economy.

1.2 Background to the study

Each definition of the entrepreneur virtually represents an author on this subject (Dunphy, 1988:84). The definition of an entrepreneur has been covered by economists, sociologists, psychologists, political scientists and literature is beginning to reflect that a generic definition of the entrepreneur does not exist. Current literature alternates the term entrepreneur with small business owner to mean the same thing. Interchanging the use of these two terms is incorrect as not all entrepreneurs are small business owners nor can it be said that all small business owners are entrepreneurs. Nevertheless, small-scale enterprises create an ideal environment for the typical entrepreneur and this has resulted in the close association of these two terms. Regardless of how the entrepreneur is defined, they

are the active participants in ensuring a successful economy, whether they are innovators, owners in SMMEs or corporate entrepreneurs – their activity contributes to the economy (Visser 1997:7).

1.2.1 The role of small businesses and entrepreneurship

Entrepreneurial activity plays a major role the world over, in the economic and social sectors of the environment. The Global Entrepreneurship Monitor (GEM) study shows that 10% of the United States of America's population aged 16 to 64 is involved in activities that are entrepreneurial in nature. Likewise, 9.5% of people in the 42 GEM countries analysed take part in starting a new business (Scarborough, Wilson and Zimmerer, 2009:18; Herrington, Kew and Kew, 2008:33). Economic structures of many developed countries are influencing the increased entrepreneurial activity. Countries such as Japan, Spain, United Kingdom, Netherlands and the United States are rapidly moving the emphasis away from industrial-focused economies to knowledge-based ones.

An OECD SME related report indicates that SMEs' contribution to employment in first world countries is over 65% and they also contribute in excess of 55% of GDP. In third world countries, 70% of total employment and 60% of the GDP is attributed to small businesses and informal enterprises. In second world countries small businesses contribute over 95% of total employment and about 70% of GDP. Furthermore, and very importantly, in low-income countries, the informal sector contributes a higher percentage to the employment and GDP compared to SMEs and this is in a place where the poorest individuals make the bare minimum to survive (2nd OECD Conference 2004:11; Council on Competitiveness, 2007:4).

The National Small Business Act states that the term small business defines a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises, managed by one owner or more, predominantly carried on in any sector or sub-sector of the economy (National Small Business Act, 1996:2) .

In its classification, the Act has adopted the international practice of using quantitative criteria relating to employment, turnover and assets, and the enterprise must comply with all three (Ntsika, 2004:9). Size should be considered to better understand the definition of small businesses. The Act classifies small businesses into four categories:

CATEGORY OF SME	SIZE
Micro	1-5
Very small	6-20
Small	21-50
Medium	51-100

Table 1.1: Classification of SMMEs (National Small Business Act, 1996)

1.2.2 The difference between entrepreneurial ventures and small businesses

Entrepreneurial ventures and small businesses are different and it is essential that the difference be clearly understood because even though they both have a positive effect on the economy they serve different economic functions. They both create new opportunities, but in different ways. Both types of enterprise should impact in different ways on economic policy. While they behave entrepreneurially in the early stages of the business, the difference becomes clear as they grow and the small business venture will reduce entrepreneurial activities and opt to slowly grow with inflation. Nieman and Nieuwenhuizen, (2009:9) and Carland, Carland, Hoy, William, and Boulton (1982:385) agree that the goals of small business owners within their businesses are based on self-actualising motives such as personal security and independence. In essence owners of small businesses can be described as having very little or no desire to grow, have no creative and innovative practices nor do they desire to become market leaders within their field of operation.

Nieman and Nieuwenhuizen (2009:10) state that small businesses do not have enterprise growth as an indicator of success but rather profitability as a major

objective together with self-governance and security. According to Ligthelm (2008:368), the term entrepreneurship usually encompasses all the aspects of small business development and yet in actual fact this term only refers to businesses that have growth and development as sustainable and achievable objectives. Small businesses may not be entrepreneurial in nature. An example of a non-entrepreneurial venture is where the business takes up most of the owners time, is closely linked with family concerns, the main source of income and the owner sees it as a personal link to express himself in the society he is in (Carland *et al.*, 1984:358).

On the other hand, being innovative within the business and using strategic management practices are traits that characterise the entrepreneur. Carland *et al.* (1984:358) and Morong (1994:369) agree that entrepreneurs are creative risk takers. Entrepreneurs use innovative measures on opportunities that they have discovered to improve or boost economic profit. They achieve this by making a totally new product, or developing a new method of making the products that are already in existence through the employment of modern technology. The creativity of an entrepreneur can be noticed by the choice of production methods they use or the products in their portfolios. The production methods depict a level of efficiency in the production process, or the product offering is one that has not yet been introduced to the market. Entrepreneurs have to be creative in this way to achieve the level of economic profit they desire to reach in a competitive environment before the competition takes advantage of the same opportunity. The risk that entrepreneurs take is in being the first to present a product to the market before the competitors can do so, in this way they get a bigger portion of the economic profit before all the other players in the same market do so. In taking this risk there is no surety that a product will be a success otherwise if there was a level of certainty that the product would be a success then economic profits would be non-existent because of the assured success leading to the increased entry into the market by competitors due to the ease in doing so (Morong, 1994:369).

1.2.3 Measurement of entrepreneurial activity

Previously researched information taken from various organisations based on new venture creation and entrepreneurial activity has had a significant impact on

entrepreneurship literature to date. A useful and effective tool that can be used to assess entrepreneurial activity worldwide is the Global Entrepreneurship Monitor (GEM) project. This tool analyses and compares the percentage of the active population that takes part in venturing into small businesses at a specified time (Justo, Castro and Olivares, 2008:606).

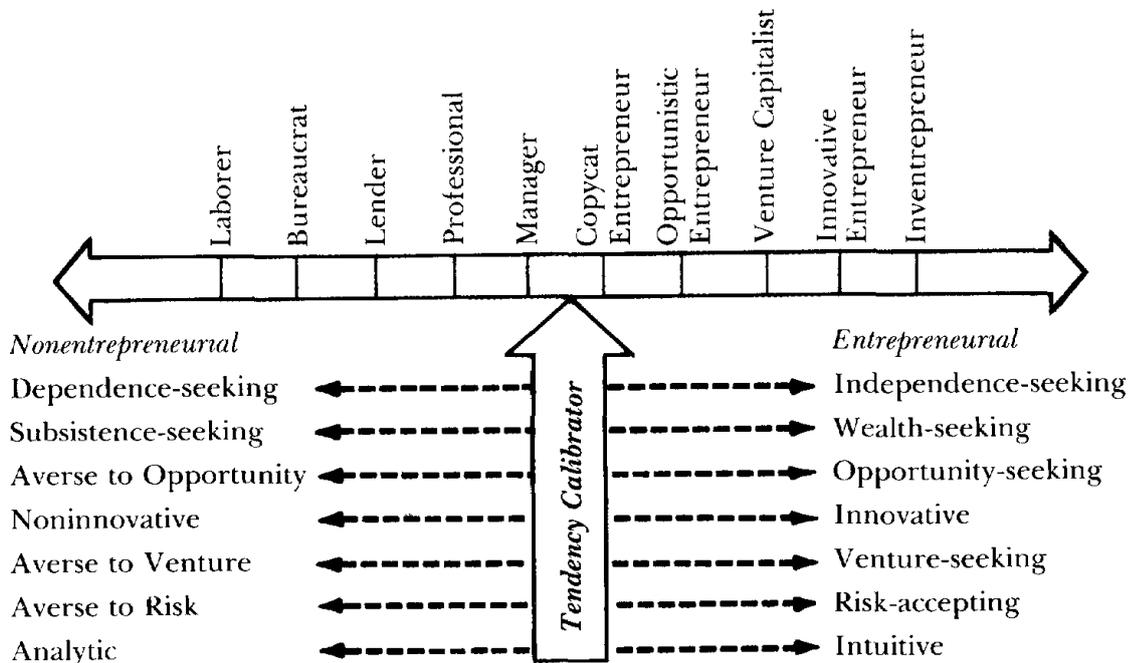
According to Kukoc and Regan (2008:19), entrepreneurship is a term that encompasses a range of business activities that are both complex and dynamic and impact outcomes in the economy. Therefore, when measuring entrepreneurship the key issue is separating entrepreneurial activities from non-entrepreneurial activities which would be the more ordinary business activities. Definitions usually link entrepreneurship with the commercial pursuit of new innovative concepts or combinations.

Within these definitions of entrepreneurship there should be clarifying measures whose aim would be to show the economic agents' input on the level of commercial activity to commercialise new concepts or combinations and separate this from other business activities that are not entrepreneurial in nature.

Unfortunately, there are currently no measures that can separate business activities from entrepreneurial ones where commercialisation of new concepts is concerned. Approaches such as those based on start up or, self employment and importance of small business are all examples that would lead to biased results as they include activities driven by self-employment objectives (Kukoc and Regan, 2008:19). Other approaches do not include all entrepreneurial activities such as the use of venture capital, a very narrow and specialised form of finance with its own measurement criteria, as an indication or representation of the level of innovative business activity in the economy. Entrepreneurs have other sources of finance.

The main aim of this study is to analyse and measure the level of entrepreneurial activity in the small businesses that have been successful in Pietermaritzburg, South Africa. This study will assess the level of entrepreneurial activity within a small business using Burch's continuum of entrepreneurship. Burch (1986:15) states that a number of personality traits, among other things, can contribute to the propensity of

an individual to behave entrepreneurially. In a diagram in his article, Burch explains how the labourer is the least entrepreneurial, while the inventrapreneur is the epitome of entrepreneurial activity.



Adapted from John G. Burch, *Entrepreneurship* (New York: Wiley, 1986), p. 31.

Figure 1.1 Burch's continuum of entrepreneurship

The act of engaging in entrepreneurial activity to a large extent, means venturing with zeal and a passion for novelty. Alternatively, if an individual thrives on routine, is satisfied with the status quo and automatically says no to anything new then their inclination toward entrepreneurial activity is weak. In his argument, Burch (1986:16) states that although entrepreneurs cannot be defined, certain attributes can be used to define who they are. Entrepreneurs have good organisational skills and are hard workers, they are willing to take responsibility and will take all necessary measures to see a business venture succeed. They are high achievers, reward oriented, keep positive mindsets where their ventures are concerned and strong believers in excellence. Independence, wealth, opportunity and venture seeking are all attributes that define the entrepreneur. They are innovative individuals who can accept risk and are intuitive.

While the level of entrepreneurial activity can be assessed, it will only be assessed for those businesses considered successful. There needs to therefore be a clear definition of success and a means of measuring the levels of success within these small businesses.

1.2.4 Measurement of success

Success is a term that cannot easily be defined, many aspects need to be taken into consideration and put into context. Generally, success can be defined as the favourable outcome of something attempted (Kallerberg and Leicht, 1991:138). There is no universal definition of success because each organisation or individual sets a personal measure of success. A business' measure of success is largely affected by previous business encounters, individuals that the owner or manager looks up to, the activity of other businesses in the same market, personal motivations and goals. The difference in measures could be as extreme as having the business break even or sales/profit maximisation as a measure of success. Walker and Brown (2004:577) suggest that financial criteria are normally deemed most appropriate measure of business success, but the reasons behind the start up of a large number of these small businesses are either personal or life style based. Furthermore, the owners often consider the financial data to be confidential and will not share this data with researchers, thereby making it difficult to access these measurement criteria.

Within the small business sector of the economy, alternative means are used as measures of success. These non-financial goals are normally given a higher value than profit or wealth creation. Such goals include self actualisation, the ability to take pride in the work done and the ability to do what you want and when you want to do it - freedom. Since a small business and its owner are closely linked, the attitude and character of the owner and the performance of the business and other business characteristics influence perceptions that would sum to both business and personal (Walker and Brown, 2004:578).

It has also been suggested, that successful organisations adjust themselves to fit the constantly changing environment, fitting the opportunities availed and challenges

presented. These adjustments depend largely on the choices and actions the leaders of an organisation take (Kallerberg and Leicht, 1991:138).

Both financial and non-financial factors can be used to measure the levels of success in an organisation. As organisations or small businesses are not always willing to offer information on their financial status, an analysis of the non-financial measures will be used for the purpose of this study. Dependent on the initial objectives of starting up the business, there could be various ways of determining the success of a business. Success is closely associated with growth and profitability (Walker and Brown, 2004:578). Growth can be seen through staff growth, productivity within the organisation and purchasing more fixed assets, among other criteria. The law of diminishing returns states that the business faces rising costs as it undertakes to expand or grow. The cause of this being that some fixed factors of production limit profitable growth (Teece, 2000:49). This therefore implies that businesses would not unnecessarily increase their employee numbers unless they were growing and had an increased need for labour, and had sufficient profits to fund such employment.

Successful organisations are those that change the internal aspects of the business to suit the external aspects that are posed by the environment such as the opportunities and constraints that could impact the business (Walker and Brown, 2004:578). The role that entrepreneurship plays in successful businesses in Pietermaritzburg, South Africa, will be assessed using Burch's continuum of entrepreneurship (1986) and Smorfitt's update to Burch (2010).

1.3 Research Objectives

It has already been determined that small businesses and entrepreneurial ventures are different in nature. Secondly the roles and duties carried out by entrepreneurs and small business owners are different. Current literature clearly defines that the difference between the entrepreneur and small business owner is that an entrepreneur actively devises the strategy of the firm, whereas the small business owner often has no strategy. In the case of a franchise owner for example, the small business owner, while wealth seeking and risk taking, cannot make decisions

relating to strategy (Walker and Brown, 2004:578). It was therefore interesting to research and establish if small business owners who do not have full control over every aspect of their businesses have the same chances of being successful when compared to businesses owned by entrepreneurs.

1.3.1 The problem statement

The role of this study was to compare entrepreneurial with non-entrepreneurial small businesses, analysing the role that entrepreneurial activity played in the success of those businesses that were successful. The measure of success that was used for this study was an increase in the number of staff numbers in the business.

The researcher assessed the incidence of entrepreneurial activity in successful SMMEs. Through the differentiation using Smorfitt's classification of entrepreneurs and Burch's continuum, the research determined the level of entrepreneurial activity as it relates to the success of small business. This was done by assessing whether a statistically significant relationship exists between business success and entrepreneurial activity by the owner in the organisation.

1.3.2 Research Question

The research question for this study is:

Are small businesses that engage in entrepreneurial activities more likely to succeed than non-entrepreneurial enterprises?

1.3.3 Research Objectives

The objectives of this study are:

- **To identify which small businesses are successful**

In order for this research to provide meaningful outputs, the same criteria must be measured for all participants. The difficulty in getting financial information must also be considered, and metrics must be selected that are relevant yet easy to obtain.

Therefore this research project used the number of staff employed by the organisation as a measurement metric to assess success. Turnover figures can be

affected by inflation, but staff numbers are linked to the volume of activity in the organisation. As it is an additional cost to the business, the business does not employ unnecessary people, and therefore an increase in staff should provide an indicator of increased business activity (Walker and Brown, 2004:577). However, this increase must be longitudinally contextualised.

- **To identify the level of entrepreneurial activity in successful businesses**

This research objective sought to identify the effect that increased entrepreneurial activity has on small business success. According to Burch’s continuum (1986:15) and Smorfitt (2010:10), there is a difference in the entrepreneurial traits of a small business manager and of an innovative entrepreneur. Burch bases his argument using the characteristics of an entrepreneur which are opportunity seeking, independence seeking, wealth seeking, innovative, venture seeking, risk-accepting and intuitive. So the study used some of these factors to measure the levels of entrepreneurial activity within the successful organisations. The entrepreneur’s ability to be innovative, intuitive, venture seeking and independence seeking were used. These factors were selected as they were measurable and to a certain extent quantifiable which was necessary to analyse the data.

1.3.3 Hypotheses

Hypotheses were used to validate this research study as they are testable, thereby making a real contribution to the current body of knowledge within the entrepreneurial field of research. The hypotheses for this study are stated below:

Ha0:	The rate of introducing new methods of production and new inventions in small businesses run by a manager is lower than that of entrepreneurial businesses.
Ha1:	The rate of introducing new methods of production and new inventions in small businesses run by a manager is not lower than that of entrepreneurial businesses.
Hb0:	The decision making process is longer in small businesses run by a manager than an entrepreneurial businesses.

Hb1:	The decision making process is not longer in small businesses run by a manager than an entrepreneurial businesses.
Hc0:	The level of research and development in small businesses run by a manager is lower than that of an entrepreneurial business.
Hc1:	The level of research and development in small businesses run by a manager is not lower than that of an entrepreneurial business.
Hd0:	When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs engage in less entrepreneurial activity.
Hd1:	When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs do not engage in less entrepreneurial activity.
He0:	When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs are less likely to be successful.
He1:	When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs are not less likely to be successful.

Table 1.2 Tabulation of hypotheses

1.3.4 Research Methodology

This research study like every other research study attempts to grow the body of knowledge in a particular field of study (Welman and Kruger 2001:2).

The research study was a formal cross-sectional and causal study of SMEs in the formal sector, trading in Pietermaritzburg South Africa. It was be a practical structured research study that presented and analysed pre-researched information and sought to add on to that information through the use of data collected from emailed questionnaires.

This study was carried out using both qualitative and quantitative research methods. Questionnaires were emailed as means to gathering the data for this study. The population was the Chamber of Business SME members and random sampling was used to select the sample for the study which was an estimation of 214 companies.

An initial small group of small businesses was selected using random sampling in order to test the validity of the questionnaire.

1.4 Layout of research dissertation

The layout of this dissertation will be presented as follows:

Abstract - a short overview of the research study.

Chapter one - An introductory chapter that will give detail of the objectives of the study, provide a background to the research question, give in-depth detail on the contents of the study and will also provide details of the limitations and constraints in which the research was undertaken.

Chapter two - The first literature review chapter will contain information on the entrepreneurial effect in the context of the theory of the firm. This chapter will also contain literature on Burch's continuum of entrepreneurship and Smorfitt's update of Burch's continuum.

Chapter three - The second literature review chapter will contain research on the definition of success, and how it can be measured within an organisation. It will contain the various factors that have been researched and which are claimed will lead to entrepreneurial success.

Chapter four - The research methodology chapter will give detail on the population, the sample and how it was selected and the methods that will be used for data collection.

Chapter five - The data analysis chapter where the findings of the primary research will be presented and their correlation to the preset research objectives.

Chapter six - The final conclusions and recommendations will be made in this chapter

2. Literature review - The entrepreneur

2.1 Introduction

This is the first of two literature review chapters in this dissertation. In this section, the main focus will be on the entrepreneur and the concept of entrepreneurship. In discussing the entrepreneur, information on the personality traits of the entrepreneur as well as the tendencies or their characteristics will be reviewed. Like all other business concepts, there is an underlying economic theory to entrepreneurship, and it is the theory of the firm. This theory is also discussed, mainly focusing on the role of the entrepreneur within the theory.

2.2 Theory of the firm

Entrepreneurship has a notable part to play in the building and maintenance of any country's economy, but it is not all economic theories that recognise the role of these entrepreneurial firms in building the economy. Boudreaux and Holcombe, (1989:147) suggest that from a neoclassical perspective, in order for the markets in any country to function correctly the markets will continue to seek equilibrium, until equilibrium is reached. The mechanism for achieving equilibrium is the firm. However, the neoclassical approach sees no role for the firm once the state of equilibrium has been achieved. Lombard and Vosloo, (1994:7) suggest that the way the activities such as production techniques, prices charged and quantities produces among other things together with the processes that a firm will engage in an attempt to achieve profit maximisation best describe the theory of the firm. According to Conner (1991:123), the existence of firms and the determination of their scale and scope are two factors that the theory of the firm should address. There are a number of schools of thought with regard to the theory of the firm, and not all theories consider entrepreneurship to play a role in market creation. The Knightian and Behavioural theories recognise the impact of the entrepreneur on the firm.

Boudreaux and Holcombe, (1987:147) and Dew *et al.*, (2008:40) agree that the Knightian approach considers the firm to be entrepreneurial and the creation of

markets comes through specific good decisions that were made under uncertain conditions. The Knightian theory of the firm is based on his understanding of uncertainty and not the general equilibrium theory. Knight's definition of an entrepreneur is one who pursues profit through making decisions in uncertain conditions and the firm exists to try and bring the world to general equilibrium through problem solving. The level of the distinction may not be readily clear. However, Knight's version of the firm is entrepreneurial and plays a significant role in the economy in the formulation of markets. For the purpose of this study, the Knightian theory will be used as the basic economic theory of the firm.

Boudreaux and Holcombe (1987:151) further emphasise that the entrepreneurial role mainly requires entrepreneurs to put into effect good judgement and to use the readily available sources of information to be of good use to their intuition in making good decisions. The difference between entrepreneur and non-entrepreneurs is that entrepreneurs function in a way that they are ready to be remunerated for their good sense of judgement while non-entrepreneurs wait for the entrepreneurs to make the drastic changes and have given away the right to the value creation possibility that could take place as they use their resources in their production processes.

The behavioural theory behind market creation focuses mainly on the significance of the entrepreneur during the start-up phase where impact of the entrepreneur is highest and removes the uncertainty aspect through the introduction of conflict resolution and organisational learning. It considers each firm to be heterogeneous and that new markets and new businesses have an interdependent relationship which is different from existing markets and businesses (Dew *et al.* 2008:41). From an economic view, the theory of the firm suggests that organisations will produce goods to a point where they break even, alternatively they use factors of production to the point where the revenue that the organisation makes covers all the costs that it has and there is no profit made (Lombard and Vosloo, 1994:7).

The factors of production are economic resources put together to make goods and services available to the consumer. These include land which encompasses natural resources like land, minerals and water among other things which are used in the production processes, capital which is made up of factory machinery and equipment,

tools, transportation and distribution facilities, storage and the factory itself all used in manufacturing consumer goods or services, labour which is the human factor, physical and mental abilities used in the production process (McConnell and Brue, 2005: 23).

The key role of entrepreneurship as a production factor is generally underestimated. The entrepreneur is the glue that merges all the other factors of production together. Kirzner in his entrepreneurship theory, explains the entrepreneur to be the individual that brings the economy back to balance by reshuffling the factors of production when dealing with an economic imbalance. This disequilibrium is essentially the opportunities available to entrepreneurs and these opportunities are projects that have been identified, which are potentially profitable but not yet exploited (Casson & Wadeson, 2007:285).

No production is possible without the presence of certain production factors such as raw materials, labour, capital, technology and entrepreneurship. Porter states that factor conditions which are a country's economic resources used in the production processes include non man-made resources and the extended factor conditions, such as infrastructure and skilled labour, affect the environment in which surrounding businesses compete and promote or negatively affect the creation of competitive conditions, Porter (1990:71). Each has an important role it plays in the production of goods and services. However, the entrepreneur plays the key role of mobilising the production factors and getting the economic production machine running. Without the entrepreneur, it is all at a standstill. But the entrepreneur does more than facilitate production. Entrepreneurship is the real source of all economic and social development (Vosloo, 1994:153).

Vosloo goes on to state that even though the role of entrepreneurship in the process of economic growth is neglected in the macroeconomic theory, its significance becomes much clearer in microeconomic theory. Entrepreneurship is obviously part of the ignition mechanism of business enterprise, and plays the key role in the foundation and expansion of the individual firm (Vosloo, 1994:154). It is a matter of observation to identify the close connection between the qualities and capabilities of the entrepreneur and the success of the firm as measured by its profitability and

growth. Also, entrepreneurial activity is the key factor in the competitive market process, in the explanation of leads and lags which govern the dynamics of the business cycle and establishing, running and expanding the business enterprise.

The theory of entrepreneurship is an approach that explains the management and organisation of small business assets by the owners. In this theory entrepreneurs are merely portrayed as small business co-ordinators of family businesses or start up companies. In addition to the minor roles, entrepreneurship includes product development, routine management activities, marketing, relationships with sources of external finance such as venture capitalists, among other things (Vosloo, 1994:154; Foss and Klein 2004:5) In this sense, for any relevant combinations of the theories of the firm, the theory of entrepreneurship is a necessary component to include as entrepreneurship and the theory of the firm are inextricably linked. According to Casson (2005:328), expanding modelling techniques can help in understanding how well connected entrepreneurship is to the market economy. The key is to generalise the standard rational action model of neoclassical economics to an uncertain world in which easy access to information differs builds up to major differences in the impressions of the business environment with the different groups of people. It is these differences in perception that entrepreneurs take advantage of.

Schumpeter (1947:152) clarified the difference between capitalist and the entrepreneur, and strongly criticised the modern economists for interchanging the two. Schumpeter portrays his idea of an entrepreneur to be one who operates as an independent individual, not constrained by the lack of personal capital or even work within the confines of a business firm at all. Even in a case where the entrepreneur could be managing a business, there is a high likelihood that he would be more of an independent contractor or craftsman. Jacobides and Winter (2007:1213) agree with this idea in that they state that entrepreneurs are not hindered by the unavailability of cash when presented by good opportunities of improving numerous parts of a value chain. They simply approach individuals or institutes that are willing to fund their ideas. This base knowledge creates a process in which the entrepreneur has a two way channel of value-adding by providing ideas to the supplier and consumer and also creating a way that both sides of the value chain can work better when joined

under single control. For example, if an entrepreneur's objective is wealth maximisation, a number of factors such as the severity of the cash constraints and the actual value of various ideas at each stage in the value chain, will help determine whether integration is preferable to specialisation. Using Schumpeter's ideology, individuals have an entrepreneurial phase which begins when they start to carry out these new combinations and ends when the business is up and running and they then become regular individuals running a business.

When entrepreneurship is explained this way, the relationship between the firm and the entrepreneur is highly uncertain because this suggests that entrepreneurship is only existent in when innovation and creativity are in action and not in daily running of the business. In Schumpeter's ideology, what the business is made up of and what it does has no impact on the level of entrepreneurship that it engages in, the entrepreneur is independent of the environment and for this reason corporate research and development budgets, as well as organizational structures that motivate managers to be innovative are in no way linked to Schumpeter's version of an entrepreneur (Foss and Klein 2004:6).

The nature of investments that an entrepreneur partakes in differs in the neoclassical theory of the firm and the theory of entrepreneurship in that an investment within the neoclassical theory relates to fixed investments which also include the human factor in the production process that manufactures material output. Casson (2005:335) suggests that an advantage of the blending of researched entrepreneurial literature is not to find which is the most significant form of fixed capital but instead is the identification of a market-making opportunity, that is, opportunity to bring together different members of the value chain, suppliers who are keen to provide the inputs and the consumers who are willing to purchase the outputs and while doing so generate a new market.

2.3 Defining entrepreneurship and the entrepreneur

The seminal work of Schumpeter in 1942 brought about the theory and practice of entrepreneurship to be regarded as a major factor in economic growth and development. Members of high authority and influence in government and the

economy are aware of the importance of entrepreneurship as a significant part of economic and social development is brought about by new firms which often introduce productive innovation (Acs, Lee and Florida, 2004:881). It is therefore necessary to understand the term entrepreneurship and what role the entrepreneur plays in the economy of a country.

2.3.1 Entrepreneurship

A number of definitions have been suggested to try and best explain the field of entrepreneurship. According to Hisrich and Peters (2002:10), entrepreneurship is the process of creating a new and valuable product or service while noting all the necessary measures that need to be taken to make the product or service available to a market. These factors would include the associated financial, physical and social risks and the reward, monetary or otherwise, related to the risk taken. Alternatively, in scholarly terms entrepreneurship defines who, how and what determines opportunities that create future goods and services, the discovery, evaluation and exploitation of them. Because of this, entrepreneurship encompasses the study of sourcing and exploiting opportunities, the processes of who discovers, evaluates and exploits the opportunities. According to Casson and Wadeson (2007:287) entrepreneurship studies the behaviour of individuals who need to employ correct judgement to deal with situations that have never happened before and in these situations different people make different decisions. Entrepreneurship studies the behaviour of people who take charge of an opportunity, entrepreneurship deals with the remodelling of the organisation of economic activity (Langlois, 2007:1108). Ligthelm, (2008:367) suggests that entrepreneurship combines risk taking with innovation and the initiative to make new goods and services, resulting in organisational renewal, and both the improvement of existing businesses and the establishment of new ones.

Entrepreneurship is opportunity recognition, evaluation and pursuit of opportunity in different circumstances, an ideology suggested first by Kirzner (1973). He defined entrepreneurship as the ability to realise new opportunities, such a starting a business or leading a project, which will adjust the market and move it from a place of disequilibrium to equilibrium. (Pendergast, 2004:2). Opportunities vary in

complexity, and the complexity of the opportunity increases the rarity of the opportunities identified. The simpler opportunities are the ones first found and exploited. This is a key reason for overtrading in certain industries and can lead to a destruction of entrepreneurial effort as the returns reduce to an unacceptable point. The more complex the opportunity is, the more information need be gathered. This allows those entrepreneurs who have more time and information to gather resources to be able to address the more complex opportunities. However, the pool of available opportunities is not stagnant, but continuously grows as the knowledge and skills pools grow, and the economic environment changes in the broadest context (Casson & Wadeson 2007:287; Hsieh, Nickerson & Zenger 2007:1256).

Scarborough et al. (2009:25) further suggest that entrepreneurship does not come embedded in an individual's gene, it cannot be inherited, it is a skill that is learned. Contrary to researched information that states that genetic factors influence business related outcomes, no conclusive research had been attached to the same genetic factors to lead individuals engaging in entrepreneurial activity. Factors such as learned individual differences or situational factors explain the tendency to engage in entrepreneurial activity rather than factors such as job satisfaction to vocational interests to work values which affect business related issues. (Nicolaou *et al.* 2008:167) Identifying value adding opportunities and forming ventures which combine resources to take advantage of those opportunities describe what entrepreneurship is about. There is a close relationship between entrepreneurial achievement and learning. Learning is the new and enhancing process which enables entrepreneurial behaviour to be implemented. Entrepreneurial learning describes the construction of new meaning in the process of recognising and acting on opportunities by individuals, and of organising and managing ventures (Rae and Carswell, 2001:150).

All the above definitions could seem to be true dependent on the level of entrepreneurial activity carried out by the entrepreneur. Burch (1986:14) explains how different entrepreneurs are driven by different goals and therefore cause the level of entrepreneurial activity they engage in to be different. Montanye (2006:547) is in agreement with this as he states that the literature that was collected by

economists on the topic of entrepreneurship depicts the entrepreneur descriptively (that is, theoretically). The French are the originators of the word or term entrepreneurship which denoted anyone who borrowed capital to take advantage of an opportunity, repaid the capital with interest and then kept the profit and it later on was extended to include a merchant, employer, or manager and has now used to explain any form of self employment and occasionally with self-unemployment.

From the definitions above, it can be noted that the term entrepreneurship is now one that is given to any sort of business start up, but it is important to note that even though many are now labelled entrepreneurs, the level of entrepreneurial tendencies vary greatly. According to Ligthelm (2008:368), usually, the term entrepreneurship encompasses all the aspects involved in small business development and yet in actual fact this term only refers to businesses that have growth and development as sustainable and achievable objectives.

Burch (1986:14) suggests a continuum that shows the various levels of entrepreneurial tendencies. In his article, he defines the difference between a labourer, who to some extent has some entrepreneurial tendencies, from an inventpreneur, who he believes operates at the epitome of entrepreneurial tendencies. In his continuum, Burch explains how the inventpreneur is creative in his ability to not only successfully create a product but to also market it while on the other hand non entrepreneurial persons would include the bureaucrat, lender, professional and manager. Copycat entrepreneurs like their name suggests imitate someone else's innovative idea, they lack originality. Opportunistic entrepreneurs have generally strong tendencies toward spotting and exploiting opportunities and are therefore fairly entrepreneurial. Venture capitalists are essentially not entrepreneurs, but are wealth seekers aide in the entrepreneurial process by providing primary sources of equity financing for business ventures. They mainly contribute in the start-up and early stages of expansion. Both the innovative entrepreneur and the inventpreneur have high inclination to entrepreneurial activity. Schumpeter (1947:152) argues that it is particularly important to distinguish the entrepreneur from the inventor. Even though there is no connection between the

two, the inventor creating or inventing products and the entrepreneur taking the risk to market them, many inventors have become entrepreneurs.

According to Smorfitt (2010:10) the current types of entrepreneurs are survivalist entrepreneurs, salary or income replacement entrepreneurs, lifestyle entrepreneurs, small business manager, franchisees, copycat entrepreneurs, franchisors, inventpreneurs, serial entrepreneurs, portfolio entrepreneurs, angel funders and venture capitalists. He describes the groups at the one end of the continuum as survivalist entrepreneurs. These are the individuals who resort to entrepreneurship because they have no choice. They are often unemployable and uneducated; entrepreneurship presents their only choice for creating income. On the other end of the continuum are venture capitalists that have harvested sufficient wealth from their own enterprises but invest solely in other entrepreneurial enterprises.

These entrepreneurs can be categorized into three groups (Smorfitt 2010:11; Block and Wagner 2010:156). The first group is comprised of the informal sector survivalist entrepreneurs. They have access to low complexity low profit opportunities and seldom employ external human capital. The second group is the formal sector lifestyle entrepreneurs. These are comprised of salary or income replacement entrepreneurs, lifestyle entrepreneurs, small business manager / franchisees and copycat entrepreneurs. They are generally neither innovative nor growth oriented once they achieve their selected lifestyle level. Their main priority is maintaining their lifestyle rather than providing customer services. Because of this, resources are generally underutilised, management decision making is often irrational and these businesses may not deliver sufficient return on investment and consequently do not create economic wealth (Frehse & Buhalis, 2009:394; Zavatta 2008:52). They often exhibit a reluctance to accept professional advice or external involvement. The third group are the formal sector high growth entrepreneurs. If an entrepreneur in the lifestyle group lacks a clear exit and harvest strategy they remain as lifestyle entrepreneurs whereas if they do have a clear exit and harvest strategy they will become high growth entrepreneurs.

2.3.2 Entrepreneurship in South Africa

Entrepreneurship varies over a number of factors such as regions, over time, among people, in different nations and is situational (Reynolds *et al*, 2001:8). Environmental factors that range government policies to access to capital and culture are key to developing entrepreneurship. Economic growth, the creation of employment and improved competitiveness also enhance a country's spirit of entrepreneurship.

South Africa, like many other developing countries is a country that is focused on creating sustainable economic growth. However, South Africa experienced a relatively low economic growth rate of 3.12% in 2003 (South African Reserve Bank, On-line, 8 November 2008:5) and an unemployment rate of 23.1% (narrow definition) in the 3rd quarter of 2008 (Department of Statistics, 2008,) Labour Force Survey. On-line, 8 November 2008. In 2004, the growth rate was up to 4.86%, 5% in 2005, 5.39% in 2006 and down to 5.12% in 2007 (South African Reserve Bank, On-line, 8 November 2008:5). According to Smorfitt (2009:51), the South African Government claims that it has identified various measures to address the alarming unemployment problem and stubbornly low growth rate, but the GDP growth rate remains too low to impact on the unemployment rate. Among those measures are the creation of a business environment conducive to the creation of new business ventures, attempts to attract foreign direct investment (FDI), lower tax rates and efforts to stimulate small business development with a combination of selective and functional interventions.

Year	World Rank	GDP growth %	Narrow unemployment rate %
2003	18	3.12	24.8
2004	24	4.86	23.0
2005	161	5	23.5
2006	168	5.39	25.5
2007	172	5.12	23.0
2008	169	4.7	22.9

2009	170	-5.9	23.90
2010	173	4.8	24.0

Table 2.1 Statistics on changes in the growth and unemployment rates in South Africa

Source: (South African Labour and development Research Unit (2006:3); StatsSA, labour force survey: 2000-2007 series: Trading Economics-growth rates)

Many countries, as part of their growth strategies, now have specific strategies for individuals willing to be creative and engage in development of small and medium businesses. South Africa is one of those countries that does have a strategy for small business, and views the creation and development of small and medium businesses as one of the most important long term solutions to unemployment (State of Small Business in South Africa, 1999:11).

The South African government has recognised the increased optimism and has put in place measures to create an environment that will stimulate more growth and entrepreneurial activity. According to Smorfitt (2010:7) a major reason for this increased interest in SMEs, is that SMEs have been perceived to be a major source of job creation. There is a lot of apparently contradictory information on whether SMEs really do create jobs or not. A number of researchers have noted that small and medium businesses are major creators of employment and these businesses are increasing in number worldwide, underlining their importance in the world economy. Legislation and policies have been changed showing government actions to stimulate the SME segment of the economy to motivate people to venture into small business because governments have realised the significance of them on a country's economy (Block & Wagner, 2010:155; Warren & Murphy, 2000:2).

South African entrepreneurs have had and continue to have a positive impact on the economy through venturing in opportunities that not only eradicate unemployment in the societies around them but also meet the needs of the consumer (Nieman and Nieuwenhuizen, 2009:29). Hallberg (2000:6) posed an argument that the rate at which unemployment is increasing and people are being retrenched is not being offset by the rate at which SME's create jobs and concluded that the best way to curb this problem is by using SMEs to increase the job creation rate by increasing the rate at which SMEs are created, rather than the rate at which micro enterprises

are created. Hallberg (2000:10) argued that the way forward would be to use functional interventions to increase the SME establishment rate. However, it is critically important to note that the expectation of SMEs creating jobs is not necessarily correct in the broadest sense of this statement. This is due to the fact that only those SMEs that are growing fast create additional jobs. Generally, job creation by the bulk of SMEs is most times offset by SME job destruction due to business failure. Furthermore, survivalist businesses in the informal sector do not create jobs. Therefore it is important to look to high growth SMEs for job creation (Hallberg, 2000:5; Smorfitt, 2009:24).

According to Herrington et al. (2009:12) one of the major problems that South Africa faces is the problem of ever increasing levels of unemployment among other problems such as economic, political and social challenges in its new democracy. The youth of South Africa are the ones most affected as the a large number of them are unable to enter the formal sector due to the lack of adequate skill, experience and even education and their remaining alternative is to find other means of creating wealth by creating their own forms of employment. Studies by GEM (Global Economic Monitor) have indicated that inadequate education as a whole but mainly in science and mathematics cause a low rate of a country's beginning phases of entrepreneurial activity and this in turn lowers the chances of entrepreneurship as a career choice.

The World Competitiveness Report in 2003 placed South Africa in the 18th position out of the measured 30 developed and newly industrialized countries in the world. Although the country still offers certain positive conditions such as the lowest living costs for employees, the lowest electricity costs for businesses and relatively low income tax levels, it ranks among the lowest in terms of the unemployment rate, life expectancy, the level of economic literacy, the general skills level of employees, foreign direct investment, infrastructure and foreign exchange reserves. Unemployment tends to become the main concern with regard to economic growth (Antonites and Vuuren, 2005:255; Global Competitive Report 2003/2004:4).

The recent world-wide economic crisis has had a dramatic impact on economic development. Herrington (2009:14) states that in 2009 the over a million jobs were

lost which negatively impacted South Africa. With consumers carrying out a high level of credit purchases, which are not likely to be paid off soon, the crisis is far from coming to an end. The recession, poor financial and business framework, low cash flow and high interest rates, as well as the inadequate sources of finance, are key problems facing small business development in South Africa as identified by the 2009 survey (Herrington, 2009:14). While several of these concerns are universal in being potential deterrents, poor education and high crime rates further stifle South Africa, reducing chances of small business surviving. In addition the backlog in developing infrastructure, which was caused by apartheid policies and the inability of the new government to elevate the level of service delivery further stifle South Africa. On top of the list of concerns of small businesses is still crime. The 2009 SME Survey report indicated that 66% of the SMEs surveyed rated the high levels of crime as a primary concern, followed by the global financial crisis (57%) and high interest rates (51%). Interest rates remain a major issue because banks are not lending money at lower rates to SMEs.

When compared to the rest of the world, entrepreneurial activity in South Africa is relatively low. To address this problem requires an in-depth understanding of the establishment and growth of small businesses so as to awaken the idle entrepreneurial potential that individuals have not realised (Ligthelm, 2008:367).

2.3.3 The Entrepreneur

As the entrepreneur is an essential part in pulling together the scarce resources that fuel the successful running of an economy (Vosloo, 1994:154), it is necessary to then define the entrepreneur and understand the profile of the entrepreneur. Scarborough et al. (2009:21) define the entrepreneur an individual who creates a new business by taking a risk with a number of uncertain factors to consider through identifying and exploiting opportunities using the relevant resources so as to attain an economic profit. This definition pulls together a number of previous definitions that were suggested in the past to better understand the role of the entrepreneur.

According to Gartner (1988:55) Schumpeter defined the entrepreneur as the innovator who drives the creative-destructive process of capitalism whose function could be explained in a number of ways such as: is to change the process of

production by taking advantage of an invention, to try producing a good or service using technologically advanced methods, re organizing the market, new ways of making the same products by finding new suppliers of raw materials or a new group of consumers who have a demand for the product produced. An economy is improved when entrepreneurs serve new markets or create new ways of doing things.

The function of Knight's version of an entrepreneur is to assume the uncertainty related to certain economic events, such as a shift in consumer tastes, then exercise judgement over these unique situations. Knight views the entrepreneur as the owner of the company who aims at making a positive profit through three steps which are initiating potentially valuable changes and innovations, remodelling to suit any alterations in the economic environment and taking responsibility for any risk related to the company (Iversen et al., 2007:10).

McLleland defines the entrepreneur as an individual who has control of resources that he can use to produce goods or services and makes more than he needs so as to sell the excess for an income (Gartner, 1988:54).

Burch (1986:16) suggests a definition of the entrepreneur as the prime mover of the economy, an innovator of new products and services, an initiator of change and diversity who constantly seeks independence, wealth, opportunity, innovation and ventures. Burch suggests that entrepreneurs are ready to accept risk and rely on intuition.

Generally these different theorists share similar conceptual understandings of the entrepreneur. The entrepreneur is a necessary part in keeping the economy of a country alive. It is mainly about the individuals who choose to take risks in a continuously uncertain environment. The level of risk taking is then limited by the level of resources that is available to the entrepreneur (Pandergast, 2004:4). This may not always be the case with all entrepreneurs as they are driven by different things; whether drawn to entrepreneurial opportunities because of their undoubtedly high quality or forced by a personal need or economic forces.

According to Pendergast (2004:6) entrepreneurial situations lure individuals who possess attributes commonly known as traits or personality attributes that are adapted to their challenges. Individuals who have traits find it easy to venture entrepreneurial situations and usually succeed. The theory behind the entrepreneur has mainly been divided into two parts, they are either entrepreneurial because of certain traits or characteristics they have known as the trait approach, or because of the set of activities involved in organisation creation that they carry, the behavioural approach (Gartner, 1988:47). According to Littunen (2000:296) it is possible to note the difference between two schools of thought within the studies of entrepreneurship, one is based on the trait model while the other is on contingency thinking. The trait model asks why certain individuals start businesses and become successful entrepreneurs while others do not and does not take into consideration the traits of the individual while analysing the success. The contingency thinking theory on the other hand links the success to surrounding attributes such as the environment in which the business exists and the prevailing situation. Values, beliefs, attitudes, and behaviours that are functional within entrepreneurial contexts all have to be considered. Non-entrepreneurs may also have a number of these traits. A large number of these traits need to be present and to work well together to create a good entrepreneurial profile (Gartner, 1988:47).

Morris and Lewis (1995:31) explain this concept as being attitudinal and behavioural components. If an individual or organisation is willing to take advantage of new opportunities and accept risk for steps necessary to implement change is the attitudinal component. This willingness could also be termed entrepreneurial orientation. On the other hand, the set of activities required to analyse the worth of an opportunity are to fully explain a business concept and prepare resources necessary and finally to operate and harvest a venture and this is known as the behavioural component. Ligthelm, (2008: 376) is more or less in agreement, he labels opportunity entrepreneurs as individuals who venture into a business opportunity. Those who become entrepreneurial because of circumstance such as a lack of employment he labelled survivalist entrepreneurs. According to Smorffitt (2009:6) the reason why the survivalist entrepreneurs will only be able to take the simpler opportunities is directly related to human capital (Block & Wagner, 2010:155;

Casson & Wadeson, 2007:287). Firstly, the survivalist entrepreneurs do not employ staff, and therefore they do not have access to external human capital and their attendant skills. The survivalist entrepreneurs lack financial resources, and do not have the depth of entrepreneurial skills to employ external human capital. Furthermore, the survivalists are themselves often poorly skilled at a technical level, poorly educated if at all, lack business experience and consequently they are extremely limited in the opportunities they can take advantage of.

75% of all entrepreneurs in the 35 countries included in the GEM study were classified as opportunity, and 25% as survivalist. In the case of second and third world countries these figures are higher in the necessity entrepreneurs' category, with a ratio of 63:37 (in 2004) when compared to opportunity entrepreneurs. The pool of entrepreneurial activity is made up of 58% opportunity and 42 % necessity in South Africa. Research was based on a random adult sample, meaning therefore that respondents' businesses ranged from informal survivalist to more established small businesses.

There are a number of reasons why individuals choose to become entrepreneurs. According to Mitchell (2004:176) the decision to behave entrepreneurially is the result of interaction of several factors. The major factors include the need for independence and achievement to be recognised within the society is of great importance. Structural inertia is what prevents people from change and this is the same when starting new businesses, as it is difficult for individuals to enter into the process due to many reasons such as the risk associated with doing so and the uncertainty. The reasons for staying in a place are different for each individual, some stay for economic and financial reasons while other stay for social reasons. All the factors that an individual needs to consider before making a major change in their socio economic lifestyle can also become a huge deterrent from starting up a business. While some people may be thrown off balance by this change and fail to re-balance themselves, a small group of people take advantage of the situation and start up a business. From a conclusion based on his study of the motives of entrepreneurs carried out in the northern province in South Africa on 690 entrepreneurs who were advanced loans by Get Ahead Financial Services (GAFS),

a non-governmental organisation, Mitchell (2004:179) found that survival factors, financial factors and security factors were the prime reasons people act entrepreneurially and start up businesses to escape a negative situation and to enable personal growth. He also found external approval, personal development, recognition, need for independence, influence in the community, benefits and security were common to entrepreneurs.

2.4 Personality traits of entrepreneurs

Personality traits are factors that try and outline the reasons why people do the things they do and bring light as to the reason behind a group of people reacting differently to the same thing (Llewellyn and Wilson, 2003:342). According to Littunen (2000:296) the impact of an individual on the environment, which are largely the changes in life situations and experiences, forms personality traits. This means that personality characteristics of an individual can change due to the fact that they have become an entrepreneur. According to Llewellyn and Wilson (2003:341) entrepreneurship is a way of behaving which leads to starting up a business or a reaction by an individual due to a group of characteristics that they have which include creativity, ambition and risk taking.

Even so, entrepreneurs are not all of the same mould, there is no one set of characteristics that can predict who will become an entrepreneur and whether or not they will succeed (Scarborough et al. 2009: 24). Brandstatter (1997:159) states that most economists would think the main factor to consider when explaining the reason behind entrepreneurial behaviour would be profit maximisation and not necessarily the personality of the entrepreneur. Economic conditions and the laws behind the economic processes mainly determine what entrepreneurs can do and will do. Burch, (1986:15) argues that individuals who act entrepreneurially are characterised by a large number of personality traits. Casson (1982:287), Burch, (1986:15), Llewellyn and Wilson (2003:342) and Brandstatter (1997:162) agree that there are personality traits evident in entrepreneurs that aid in enhancing their entrepreneurial tendencies.

No doubt, there are some situational characteristics common to all entrepreneurs. According to Brandstatter (1997:162), to start a business and successfully run it

would involve delegation, setting goals and having a level of control on the outcome. Scarborough et al. (2009:23) a good combination of staffing and resource allocation ensures that the task is carried out effectively and efficiently. Entrepreneurs need to know how to organise effectively to make their dreams a reality. Burch (1986:15) says most entrepreneurs are very good at bringing together all the components of a venture to make it achieve its goals; they are commonly referred to as take-charge people and take full responsibility for their ventures.

Burch (1986:15) suggests that there are a number of tendencies that characterise individuals who have a high chance of behaving entrepreneurially. Burch suggests that entrepreneurs are hard workers who have a nurturing quality, in that they take charge and watch over the venture until it can stand alone. Entrepreneurs have the desire to achieve and are reward orientated, they take responsibility and work hard and then expect to be rewarded handsomely for the outstanding effort they have put into the venture. Burch states that these people have an orientation to excellence and do a good job of combining the venture components so as to reach their goals.

Finally, creativity and innovation are skills that a successful entrepreneur cannot do without. In a constantly changing environment, entrepreneurs need to adopt a flexibility culture that will help them deal with the ever changing needs in the market and will propel them towards seeking new ideas. (Brandstatter, 1997:162). According to Antonites and Vuuren (2005:257), creativity is a process of being sensitive to problems, then identifying the shortfall, searching for solutions, making guesses or formulating hypothesis about the shortfall or gaps, testing them and finally communicating the results. Creativity is the thought process resulting in idea generation and the development of the same ideas. Then when the idea is implemented to generate a profit while meeting the need that had not been fulfilled in the market, the process is called innovation. Innovation is therefore ideas that seem to be newer, faster, more cost effective and possibly more attainable. Scarborough et al. (2009:25) agree that creativity is about finding new methods of dealing with a problem or discovering opportunities, the ability to develop new ideas. Innovation can be defined as knowing how to creatively solve problems and seek out opportunities that improve personal lifestyle. The entrepreneurial performance

includes the ability to seek out new opportunities that cannot be proved at the moment at which action has to be taken and then having the personal drive to break down the resistance that the social environment offers to change (Schumpeter, 1947:157).

2.5 Burch's continuum of entrepreneurship

2.5.1 Introduction

The term entrepreneur typically has been diluted so much that in present day it defines anyone who manages or owns a small business yet in actual fact to run or own a small or even a big business does not warrant an individual to be called an entrepreneur (Burch, 1986:14). Schumpeter (1947:149), one of the pioneers of the classical entrepreneurship thought, defined entrepreneurs as innovator who drives the creative-destructive process of capitalism whose function could be explained in a number of ways such as to change the process of production by taking advantage of an invention, to try producing a good or service using technologically advanced methods, re-organising the market, new ways of making the same products by finding new suppliers of raw materials, new raw materials or a new group of consumers who have a demand for the product produced. Schumpeter's entrepreneurs are the individuals who make change happen within an economy. Burch (1986:14) is in agreement as he states that the change agent is the entrepreneur. They are innovators and are creative, schemers and are the heart and soul of economic growth. Entrepreneurs move the economy to equilibrium by satisfying untapped markets or creating new ways of doing things. Schumpeter, (1934:329) argued that the most important characteristic in entrepreneurial behaviour is innovation and described five ways of being innovative. First one is through the introduction of new goods into a market, secondly is through the introduction of new methods of production within an organization or industry, the third innovative activity is by opening new markets, or opening new sources of supply, and finally entrepreneurs can be innovative through industrial reorganization. These innovations cover a broad range of organisational activities.

If an individual is a caretaker involved in ordering, scheduling and administering, then they should be considered a manager (Burch 1986:14).

Smorfitt (2010:14) states that while Burch (1986) is correct in allocating labourers to the extreme left of the continuum, the allocation of labourers and bureaucrats on to the continuum does not assist researchers in understanding entrepreneurship. It merely assists in understanding the different participants in the economic value adding processes. According to Aldrich and Martinez (2001:43) new firms may bring new products, structures, ideas, and processes to industries and markets, this could show they are entrepreneurial but does not mean that they are innovative. The difference in the activities done by innovators and reproducers improves our understanding of entrepreneurship. On a continuum between the two poles of reproducer and innovator or according to Burch (1986:14), labourer and inventrepreneur, in reproducer organisations there is an insignificant difference in their competencies and processes of production they use compared to long existing organisations within the same market. They do not extend the body of knowledge within their field as they simply operate in the ways of their predecessors.

On the other hand, organisations that have a significant difference in their competencies and production processes from other organisations already in operation within the same market are known as innovator organisations. These innovator organisations have a small chance of survival because they have moved away from tried and tested production process competencies and are unworkable or fall outside current selection criteria. An example of this is how innumerable experiments of resource combinations have been tried but most of them have had major problems. Actually, most entrepreneurs copy the production processes and competencies of their predecessors either by choice or because of the strength of selection mechanisms. So most new entrepreneurs are reproducers and not innovators. So, essentially a continuum that ranges from reproducer to an inventrepreneur is drawn up from the outcomes of situations rather than the intentions of the entrepreneur (Aldrich & Martinez, 2001:44).

Nieman and Nieuwenhuizen, (2009:13) define a manager within the organisation as the individual who does the functions of planning, leading, organising and controlling. If the individual is in fact an entrepreneur then creativity and innovation is taking place within his business as new products are created and changes in service

delivery are implemented. Burch (1986:14) describes the characteristics of an entrepreneur as an individual who has an achievement need, a positively minded nurturer who is not afraid to work hard and accept responsibility to ensure that the output is excellent, and the business depicts good organisational skills. An individual who is reward and profit oriented. Burch also goes on to describe how in the vast pool of what is presently called the entrepreneur, they are tendencies that will differentiate the slightly entrepreneurial individuals from the serial entrepreneurs. Smorfitt 2010:14 suggests that there are many other criteria that should be included, all of which influence entrepreneurial activity to varying degrees. These would include the need to be good decision makers, good networkers, multi-taskers and delegators.

2.5.2 Tendencies

The different aspects of an entrepreneur can be noted by their tendencies toward entrepreneurial activity (Burch, 1986:15). It is within these tendencies that one can note the level of entrepreneurial activity there is in the individuals who are now known as entrepreneurs. These factors clearly define the difference between the survivalist entrepreneur and the serial entrepreneur, or according to Burch (1986:14) the difference between the labourer and the inventrapreneur. Morris and Lewis (1995:32) suggest that pro-activeness, innovation and risk taking are the key dimension underlying entrepreneurial tendencies. Burch (1986:15) suggests that the tendencies underlying the entrepreneurial beings are not only those mentioned above but he goes on to include wealth seeking, independence seeking, opportunity seeking, venture seeking and being intuitive.

Independence seeking

According to Burch (1986:15), the individual that is independence seeking wants to be in control of their life, have the final say and not keen on being controlled by others where their livelihood is concerned. They are individualists who have a passion for personal freedom to choose what they want to do and want to make their own decisions. Entrepreneurs or individuals who engage in high entrepreneurial activity detest the idea of being comfortable in a subordinate role and have a hard time welcoming the influence and control from other people.

Wealth seeking

Burch (1986:150) states that wealth creation or building up the source of wealth is probably one of the main reasons individuals become entrepreneurial. Smorfitt (2009:35) suggests that in the start-up phase of the business it is essential for the entrepreneur to ascertain how he will make money in entering a particular venture. An individual who strives for wealth, abundance and a comfortable lifestyle is easily propelled toward entrepreneurial activity to meet this need. On the other hand individuals who are looking to make just enough for themselves to survive have no entrepreneurial pull because if subsistence individuals are interested in the minimum to support life, working only for the basic necessities and are content with just that.

Opportunity seeking

Ardichvili, Cardozo and Ray (2003:108) suggest identifying and selecting the right opportunities for new businesses are among the most important abilities of a successful entrepreneur. An opportunity can avail itself through finding a creative link of resources to produce a valuable product that fills the need, want or interest of the consumer (Schumpeter, 1934; Kirzner, 1973; Casson, 1982). Opportunities may start off unrefined and farfetched, not clearly addressing the market need or look like an underemployment of valuable resources but may become more developed through time (Kirzner, 2007:146). These opportunities may be in the form of inventions with no market as yet, ideas for the use of new basic technologies or new suggestions of goods and services. Since customers are not always aware of their problems, needs or wants, and cannot always express them well, customers can therefore realise the value of this new product when they find it on the market after they have its uses explained to them. This describes value seeking from potential customers.

An opportunity can be defined as a phenomenon that seems attractive. Attractive first in the sense that the profitability that it poses for the entrepreneur and secondly with regards to the value it will hold for the consumer who is destined to use it. This opportunity must be maintainable. Opportunities in the free market system usually present themselves where the situation is changing (Antonites and Vuuren,

2005:258). Burch (1986:15) entrepreneurs make a habit of being highly alert of any new opportunities that they can exploit to create profitable business ventures.

According to Casson and Wadeson (2006:286) opportunity discovery usually happens when an individual commits a sizeable amount of already scarce resources and will rarely be found dormant somewhere, waiting for someone to discover it. The resources involved need not necessarily be financial in nature but could be an individuals' time, use of their office space and machinery which could have been used to generate income in the time that they are being used on the new opportunity.

Economists have posed a number of questions where the subject of opportunity discovery is concerned and why it has a major impact on entrepreneurship as a whole. Their questions query the large resource of ideas and opportunities that have not been tampered with and seek to find out why they are lying idle instead of being taken advantage of or being used. To the economists, this situation displays a level of inefficiency in opportunity discovery which they need explained (Casson and Wadeson, 2006:286).

This question can be answered by understanding the costs involved in the discovery process, it does not mean entrepreneurs are inefficient in any way. Opportunity discovery could be increased if more resources were allocated towards the process. Even so, diminishing returns are liable to set in. since the easier opportunities can be identified quickly, more people will engage in the process until all the easy opportunities have been taken and the difficult ones that require more input and resources will be left behind. This also increases the duplication of discoveries, which means more copycat entrepreneurs (Burch, 1986:15) and thus discourages entrepreneurial effort.

Recognition of the opportunity is only the beginning of the process, the opportunity then needs to be developed. Ardichvili et al. (2003:109) through development, opportunities move from being simple idea to becoming more elaborate. Just as the case is with new product development, proactive measures need to be taken to see the opportunity become a business, opportunity development as a continuous, proactive process essential to the formation of a business.

After developing the opportunity the next process is the evaluation of the opportunity. Ardichvili et al. (2003:112) and Ronstadt (1988:33) agree that the evaluation of the opportunity is a private process that is done at each stage. Even if the evaluation is not clearly defined from the onset, it will only be fully explained to all other relevant parties when a need for resources arises, preceding extensive research on value adding factors of the opportunity. When this point is reached then the development process is formalised. A feasibility analysis is the first formal evaluation which will not only assess what the combination of resources is likely to deliver with regard to economic success, but will also explain the value adding aspect of the opportunity considering the resources that are allocated to the opportunity in question. The process above is normally carried out on products or services that have never had any exposure to the market. After this had been done, due diligence should be carried out by all potential shareholders and interested parties that have an intention of investing their resources on the fruition of this opportunity. The process of due diligence is carried out on the business plan of the opportunity in question. A procedure that could be used is one called the stage gate procedure which analyses the activities that take place at each stage of development.

The number of constraints or limitations commonly experienced by entrepreneurs will determine whether or not an opportunity will pass through each of the gates to a large extent. These limitations include return objectives, risk preferences, financial resources, individual responsibilities and personal objectives (Kirzner, 1997: 151). According to Ardichvili *et al.*(2003:113) and Klein and Foss (2008:8) the factors that are most likely to affect the opportunity seeking process for the entrepreneur are an individual's willingness to be entrepreneurial, the ability of an individual to network and the contacts with which he is networked to, the level of knowledge that the individual has about the value of the opportunity and also the access to research material that an individual could have, discovery versus purposeful search and also tendencies of the individual to act entrepreneurially such as the levels of creativity, optimism and self efficacy, and ability to take calculated risk.

Innovative

Finding a solution to a problem or need using creative and unusual method such as new technologies, different processes and new products or services can be narrowed down to one term-innovation (Morris and Lewis, 1995:32; Scarborough *et al.*, 2009:25). Unlike having a reactive approach to dealing with a problem, the willingness to take a calculated risk and a certain level of perseverance including carrying out all relevant activities to bring an entrepreneurial concept to a reality is the process of being innovative and adaptability plays a major role in this process.

According to Nieman and Nieuwenhuizen (2009:61) an innovation comes about through creative thinking. The process of developing an innovation starts at the idea generation phase. Here a multitude of ideas are generated. Lunchsinger and Herron (1993:57) suggest that as creativity plays an important role in the resource rearrangements which take place in entrepreneurship, to enhance and speed up the solution process to the problems, heuristics can be applied. Heuristics are principles or routines that contribute to the reduction in the average search to problem solutions. The next step in the innovation process leads to developing the most feasible idea, the invention phase. More research is done and functionality tests are also done. Lastly, the most suitable idea or invention is then changed into an innovation, becoming a new product, service or process. Therefore, even though creativity leads to innovation, the two are different in that creativity is mainly mental as it involves the brains and imagination that leads to the generation and development of ideas while innovation is the practical endorsement of the idea concept making certain that commercial and profitable targets are met in line with a specific opportunity in the market environment.

Nieman and Nieuwenhuizen (2009:61) and Pickle and Abrahamson (1990:7) agree that it is therefore necessary that the entrepreneur be reasonably intelligent, use creative thinking to adapt their actions to the needs of the business in various situations and engage in analytical thinking arising from businesses systematically. With reference to his continuum, Burch (1986:16) suggests that the tendency to be innovative has a strong propensity to initiate bold ideas while effecting change by introducing new things. Entrepreneurs on the non-innovative end of the continuum

lack creativity. It is possible for an individual to become a successful entrepreneur without strong innovative tendencies. Innovation is desirable but not necessary; this is evident in copycat entrepreneurs and opportunistic entrepreneurs as well. Pickle and Abrahamson (1990:7) state that the creativity or act of inventing something original or new does not have to come from the entrepreneur himself, as long the entrepreneur innovates by introducing the idea in the market place, he still is an entrepreneur.

On the other hand Aldrich and Martinez (2001:43) suggest that pre-existing innovators enhanced the processes and competencies that they found to best suit the market and new entrepreneurs can adopt them in small businesses. Innovative start ups are not always recipes for success because existing organizations can easily blend competence-enhancing innovations into their production processes. Providing meaningful and important innovations does not mean the entrepreneur has clear chances of survival, however if they employ competence-destroying innovations they have a greater chance of surviving and being market leaders. As they have become the market leaders, this essentially means that the competencies within that particular market are going to change and the competitors within that market will need to re train their staff and develop and adapt their processes to deal with the change as these competence-destroying innovations basically change everything. The competitive advantage then comes about when the other businesses cannot easily change their routines and competencies, flexibility and the ability of small businesses to easily change would not be a threat in this instance. To better understand entrepreneurs, one should be able to separate a copycat from a creative inventor. Innovation is a trait or a tendency of entrepreneurial actions and not the individual (Gartner, 1988:38).

Venture seeking

A business whose main objectives are profitability, growth and engaging in entrepreneurial activity is an entrepreneurial venture. They are the businesses that create employment. If individuals are enthusiastic for the new and have a strong desire for novelty are necessary to entrepreneurs (Nieman and Nieuwenhuizen, 2009:10).

Individuals who are entrepreneurial usually detest routine, do not easily settle and are attracted to new ventures and quests. Alternatively, if an individual is set in their old ways and have structural inertia and an unwillingness to experiment with the new then automatically their inclination toward entrepreneurial activity is weak (Burch, 1986:16).

Risk acceptance

It is impossible to enter into an entrepreneurial activity without accepting risk because entrepreneurs are drawn to trail less territory in a bid to find new ventures and this expedition spells out risk (Burch, 1986:16). Risk taking is committing a substantial amount of resources into costly opportunities that are not guaranteed to succeed. These risks are moderate and calculated (Morris and Lewis, 1995:35). Because there is no certainty in an economic profit being made through venturing into the opportunity, entrepreneurs are risk takers. If success was definite then there would be no risk and entry of firms into the market would have eroded away the economic profits. The presence of uncertainty denotes risk and there is always some element of risk in starting any new business venture. The risk factor is in taking a chance that instead of a venture totally failing, it would yield substantial economic profit (Morong, 1994:369).

Pendergast (2004:8) suggests that while entrepreneurs are associated with risk taking, there is a clear difference between the perception of risk and objective risk. The possibility of loss due to uncertain future events is risk and the level or amount of risk can be determined by the degree of uncertainty and the stakes involved such as in innovation, achievement and independence. The perception of risk depends on weighting that has been placed on the stakes against the level of uncertainty. The weight or level of risk that had been expressed clarifies the value of the opportunity which causes the entrepreneur to be at peace with level of no clarity. Their belief in self effectiveness lowers or suppresses the perception of risk and sustains pro-activity. In entrepreneurial situations, the objective risks normally noted relate to stakes in finance, social relations, career, psychology, and health. Entrepreneurs seek out capital from all possible areas such as friend and family and risk losing their homes through the mortgage all in a bid to fund their uncertain new venture.

However the risk in these instances is not always as high as people imagine it to be and entrepreneurs will risk where possibilities encompass high achievement, independence and motivation. Entrepreneurs are usually assumed to take on risk in the areas of finance and career paths and this is normally not the case as the entrepreneur himself does not financially invest much but places more esteem on other values. That considered, it does not mean that entrepreneurs lock into the deal mindless of the realities of risk. Although the level of comfort with not knowing what could happen or the level of confidence expressed by the entrepreneur lowers the perception of risk associated with an opportunity, entrepreneurs will ensure that whatever the outcome, they have included a number of people to absorb the risk that is involved.

It is the attraction of the new idea or venture however that pulls the entrepreneur and not the risk itself (Burch 1986:16). Non-entrepreneurs tend to avoid risk they do not want to take any chances at losing what they have worked hard for and will not venture into anything unless it is safe to do so. Newman (2007:12) states that entrepreneurs are actually providers of insurance. Individuals choose between the safety of wages and the insecurity of entrepreneurship according to their attitudes toward risk. More risk-averse people receive sure wages and work for the less risk averse who are the receivers of residual money. It is important to note that with decreasing risk aversion individuals become poorer. The fact that draw entrepreneurs about this, I the fact that at the end of the day the financial remuneration between the worker and the entrepreneur grows even further apart and the latter becomes richer.

Knightian entrepreneurs pay fixed wages and take all the risk personally thereby providing insurance. The Knightian theory suggests that one can no longer separate the level of usefulness between the income made and the effort used and therefore in such a case the agent becomes the wealthier party. In such cases the agent should carry a larger percentage of the risk so as to motivate the other parties that may be involved. The reasoning behind this that the usefulness of income is higher when there is less money that is available to an individual but when the availability or

amount of money increases then its usefulness is longer spread too thin, therefore, wealthy agents need to bear more risk (Newman, 2007:12).

According to Hormozi (2004:281) an entrepreneur is usually aware of the potential of success of an idea before it has been tested on a market. Risk can then be reduced by researching the steps that will need to be implemented so as to see the idea become a success. This includes analysing the production processes and potential markets.

Intuitive

Intuition is receiving input and ideas without knowing exactly how and where you got them from. Research shows that many people who take part in entrepreneurial activity are logical thinkers who possess pre-researched insight and mainly rely on the insight more than on elaborate quantitative analysis. A combination of this insight and instinct enables them to make decisions under uncertain conditions. They act the total opposite of how an individual who is insecure with venturing would act because they are quick to make assumptions, to brainstorm and can accept anything even before the boundaries are known and completely understood (Burch, 1986:16). According to Scarborough et al. (2009:22) entrepreneurs typically have an abundance of confidence in their ability to succeed and they tend to be optimistic about their chances for business success.

According to Allinson, Chell and Hayes (2000:35) due to the nature of the environment in which entrepreneurs operate, they usually have no choice but to be intuitive if they have an intention of being successful. To be intuitive involves certain situations that the entrepreneur would have to deal with such as incomplete information, time pressure, ambiguity, and uncertainty. The importance of intuition in the entrepreneur is that it is connected and in-depth thinking which inspires foresight, a sixth sense where opportunities and creativity are concerned, a widened view of unused resources, and a feeling of the potential of the enterprise. When compared to rational approaches, intuitive approaches have a higher probability of giving the uncertain factors of being entrepreneurial a chance to be more effective. The difference is intuitive approaches tend to be less controlling and allow for a level of free reign, use creative methods to solve problems, relying on holistic impressions,

impulsive synthesis, random methods of exploring, and lateral rather than sequential reasoning while rational approaches have structure to nearly every process within the business which include solving problems, following predetermined rules, using systematic methods of investigation, attending to detail, and using a sequential, step-by-step analysis.

According to Burch (1986:15) and Aldrich and Martinez (2001:44) the tendencies discussed above are more prominent in the individuals who are more entrepreneurial. It is these tendencies that lead to an increase in the level of entrepreneurial activity within a country, causing the economy. The act of engaging in entrepreneurial activity to a large extent, means venturing with zeal and a passion for novelty. Alternatively, if an individual thrives on routine, is satisfied with the status quo and automatically says no to anything new, then their inclination toward entrepreneurial activity is weak. In his argument, Burch (1986:16) states that although entrepreneurs cannot be defined, certain characteristics can be used to describe their profile. An individual who has an achievement need, a positively minded nurturer who is not afraid to work hard and accept responsibility to ensure that the output is excellent and the business depicts good organisational skills. An individual who is reward and profit oriented. Entrepreneurs thrive on independence, wealth, opportunity and ventures. They are innovative individuals who can accept risk and are intuitive.

2.5.3 Smorfitt's extension to Burch's Continuum of Entrepreneurship

In his paper presented in 2010, Smorfitt states that from current research, it is necessary to update Burch's continuum. Smorfitt suggests that the continuum that was originated by Burch in 1986 provides an insight into eight characters of entrepreneurs and defined ten different types of individuals across the continuum, however the focus was not on entrepreneurs, but rather across the full spectrum of individuals operating within the business environment, indicating how each relates to the other in respect of the entrepreneurial attributes. Smorfitt further states that even though all of the tendencies mentioned by Burch may be more prevalent on the right side of his entrepreneurship continuum, Smorfitt states that there is no clarity on the

positioning of the tendency calibrator, if an individual is at the same level on all the criteria (Smorfitt 2010:10).

Smorfitt (2010:11), Block and Wagner (2010:155) and Peters, Frehse and Buhalis, (2009:394) all agree that with current research, the continuum should be re-adapted to have survivalist entrepreneurs, salary or income replacement entrepreneurs, lifestyle entrepreneurs, small business managers, franchisees, copycat entrepreneurs, franchisors, inventrapreneur, serial entrepreneurs, portfolio entrepreneurs, angel funders and venture capitalists. They agree that survivalist entrepreneurs owe their existence to the basic human instinct of finding a way to stay alive rather any entrepreneurial traits. This group is usually unemployed, often uneducated and unemployable and entrepreneurship provides them with the sole option of creating income. On the other hand of this adapted continuum would no longer be the inventrapreneur but venture capitalists who have harvested sufficient wealth from their own entrepreneurial ventures that they no longer need to have their own enterprises but rather invest in other people's enterprises.

According to Smorfitt, (2010:13), in Burch's continuum, some of the participants would not be classed as entrepreneurial; everyone from the manager to the labourer would be disqualified as entrepreneurs. He further states that while Burch rated the entrepreneurs on (8) eight scales, which have been mentioned earlier in this study as the tendencies of entrepreneurs, current research indicates that there are many other criteria all of which influence entrepreneurial activity to varying degrees. Some the criteria include good decision making, high educational levels, good networkers, multi-taskers, delegators and are proactive.

Therefore it is important that the differences between entrepreneurs and what motivates them to grow their businesses or not, be understood and what the determinants of success for each type or group of entrepreneur is (Smorfitt, 2010:13 and Block and Wagner, 2010:167). While the level of entrepreneurial activity can be assessed, it will only be assessed for those businesses considered successful. There needs to therefore be a clear definition of success and a means of measuring the levels of success within these small businesses. The literature review in the next

section covers success, the definition, and the factors that could influence success and how success can be measured.

2.6 Summary

This section reviewed the literature on entrepreneurs as the power and brain used in uniting the factors of production and therefore playing an essential role in growing the economy of any country. Burch (1986:14) presents a continuum of the different kinds of entrepreneurs and their tendencies toward entrepreneurial activity. Smorfitt (2010:13) then clearly defines the differences in the entrepreneurs and the value they add to the economy. The next section discusses success within an organisation and how it can be measured.

3. Literature review - Entrepreneurial Success

3.1 Introduction

In chapter two, the main area of discussion was entrepreneurship, its context within South Africa and its impact on the economy. The entrepreneur was also discussed, as were the traits and tendencies and the distinction between highly entrepreneurial individuals and not so entrepreneurial individuals.

In this chapter, the concept of success is reviewed. Literature will mainly focus on the meaning of success within an organisation, entrepreneurial success and how success can be measured.

3.2 Definition of success

Success is a term that cannot easily be defined, and many aspects need to be taken into consideration and put into context. Success can be defined by an individual either through taking advantage of their strengths and using them to make a sustainable profit or discovering their weaknesses and working at converting them to strengths or compensating for them (Sternberg, 2004:189). It is therefore essential that entrepreneurs analyse themselves to know exactly what their strengths and weaknesses are (Nieman and Nieuwenhuizen, 2009:14). Generally, success can be defined as the favourable outcome of something attempted (Kallerberg and Leicht, 1991:138). Within the context of a small business, success is subjective to the organisations goals and objectives, which is what the organisation wants to achieve.

According to Kallerberg and Leicht (1991:138), there is no universal definition of success because each organisation or individual sets a personal measure of success. A businesses measure of success is largely affected, past experiences, role models, competitive forces, personal motivations and goals. The difference in measures could be as extreme as having the business break even as a measure of success or sales and profit maximisation as a measure of success. According to James, Golden and Dunphy (1994:38), the flexibility and degree of control used during the development period determine the potential of commercial success of a venture. Some entrepreneurs do not see an idea through to the actual fruition, others

will only see an idea through if they have the freedom to see the idea through the way they see fit, rather than going to various management levels.

The concept of success that is discussed in this section is not one of the critical success factors but more on the side of the key success factors. Key success factors are those factors which are important for exceptional performance of the company, rather than mere survival which is the role of critical success factors (Ghosh, Liang, Meng and Chan, 2001:209). According to Kersten et al. (2000:198) when properly implemented and sustained, key success factors have the ability to greatly affect the success of a firm competing in an industry. For a company to be successful, these key tasks must be done exceedingly well. Critical success factors however are the characteristics included in the crucial steps of developing maintainable survival strategies for a firm. According to Scarborough et al. (2009:65), each business has a set of controllable factors that determine the potential success of their competitors. To gain a competitive advantage, a business needs to identify, understand and manipulate these key success factors. Entrepreneurs achieve dramatic strategic advantages over competitors by focusing efforts to maximize their business' performance on these key success factors. Businesses which understand the key success factors tend to be market leaders, whereas those that fail to recognise them become copy cat entrepreneurs.

Kallerberg and Leicht (1991:138) state successful organisations change aspects within the business to better suit the changing environment and deal with the opportunities and challenges presented. The adaptation process is made easier by the choices of the organisation's leaders. Successful businesses show a positive relationship between business management skills and entrepreneurial behaviour Ligthelm (2008:369).

3.3 Entrepreneurial success

There are a number of theories related to entrepreneurial success. Scarborough et al. (2009:25) state that applying creativity and innovation to solve problems and take advantage of opportunities that people face every day is the secret to entrepreneurial success. Successful entrepreneurs according to Nieman and Nieuwenhuizen (2009:14) have certain entrepreneurial success factors or personal characteristics as

well as managerial success factors or skills. According to Osborne (1995:4) the link between the business and its environment is what will determine the level of entrepreneurial success, different links between the firm and its environment are usually the product of a need to test or ignore successful intelligence and pre-tested knowledge about how things are done and entrepreneurial mindset that empowers the execution of untried ideas.

Sternberg (2004:190) suggests that successful intelligence is needed for entrepreneurial success. Even though Ibrahim and Goodwin (1987:46) mention intelligence as a non-significant factor in entrepreneurial success, Sternberg suggests the intelligence to be a backbone of entrepreneurial success. Intelligence that is employed analytically, creatively and with good consideration of practical aspects will lead to successful entrepreneurship. Successful intelligence means to be successful in life according to a personal view of what success is. Entrepreneurs do this by conforming to particular aspects of an environment they wish to operate in. This conformance is to change the small business to fit into where they want to be, and other times they change the circumstances around them to fit themselves, or search for a different environment if the one they are in does not suit them. Indeed, many individuals become entrepreneurs due to dissatisfaction with the business environments in which they have worked.

Ghosh *et al.* (2006:36) states that successful small business owners have an intelligent mind that is on high alert, creative and inquisitive possessed with abundant energy, drive and assertive ability and in tune with current technological developments and can put them to productive use. Nieman and Nieuwenhuizen (2009:15), Bird (1989:56), Ghosh *et al.* (2006:36) and Osborne (1995:5) all agree that the key success factors for any business are creativity and innovation, risk orientation, leadership, good human relations, positive attitude, perseverance and commitment and they that lead up to entrepreneurial success.

3.3.1 Creativity and innovation

According to Nieman and Nieuwenhuizen (2009:15) and Scarborough *et al.* (2009:25) creativity is the making up of new and functional ideas to solve any problem or exploit an opportunity. In the long term an enterprise's success is linked

to the degree to which good ideas are thought of, developed and implemented. Creativity consists of people being open to new ideas and approaches to the business and focusing on what can be done differently to ensure success in the enterprise, in other words, effective entrepreneurs take the initiative to solve problems in a unique manner. Finding a solution to a problem or need using creative and unusual method such as new technologies, different processes and new products or services can be narrowed down to innovation (Morris and Lewis, 1995:32; Scarborough *et al.*, 2009:25).

3.3.2 Risk orientation

Osborne (1995:5) and Nieman and Nieuwenhuizen (2009:15) agree that successful entrepreneurs do not take chances but rather measured risks. Successful entrepreneurs, unlike non-entrepreneurs, can take any risks or expensive, impulsive decisions that they have not thoroughly thought through. Entrepreneurs manage the risk to the enterprise by embracing and taking control and being hands on, gaining access to information to increase knowledge, involve investors to reduce exposure to financial loss and lower risk of competition by shortening the period between thinking of an idea and actual fruition which the product or service's availability in the market.

3.3.3 Leadership

Although tight focus, attention to detail, and hands-on orientation are important for entrepreneurial success, it seems equally important that the entrepreneur be able to step outside operations and expand the focus, to see the bigger picture, to find the right problems to solve, and to think big (Bird 1988:449). In certain cases Sternberg (2004:200) states that successful entrepreneurship does not just rise and fall on the new ideas but also the already existing products that still need to be re-marketed to keep them existent within the market. Marketing then plays a major role and the entrepreneur then has to ensure that it is carried out in the right way. The product or service marketing would be more successful if the marketers keep in mind the type of product idea they are representing. Not everything can be promoted or advertised in the same way or else it would not be successful. The biggest issue is this kind of shift represented by the product from other products that are in the market already, quantitatively or a qualitatively.

3.3.4 Good human relations

Successful entrepreneurs give the other people on their team credit where it is due and responsibility when they are deserving of it. In essence they are team builders who have no problem being around have good inter-personal communication with them. They realise the necessity to have strong business relationships and therefore keep healthy communication lines with clients and suppliers to form long term goodwill. (Nieman and Nieuwenhuizen, 2009:16). They develop networks, make ownership available to those involved in the enterprise and display important types of interpersonal behaviour such as motivation, persuasion, team building and conflict management. Successful entrepreneurs ensure employee performance by instilling various performance appraisal methods, they realise that they themselves must focus on developing human relations (Osborne, 1995:6).

3.3.5 Positive attitude

Self confidence forms a basis for a positive attitude and good approach. Both of these factors are closely linked to human relations and are important qualities that contribute to leadership and successful entrepreneurship. To keep a motivated and positive attitude within the work place, entrepreneurs themselves need to display the same positivity towards the work force then they will enjoy working and feel appreciated. (Nieman and Nieuwenhuizen, 2009:16).

3.3.6 Perseverance

According to Nieman and Nieuwenhuizen (2009:19) and McClelland (1986:227), perseverance is the ability of entrepreneurs to strive after their ideas despite problems, obstacles and setbacks. True entrepreneurs naturally have the intuition that makes it possible for them to persevere, and this coupled with the determination and energy makes for a successful entrepreneur. It is overcoming the challenge of the unknown that motivates entrepreneurs.

3.3.7 Commitment

The commitment factor shows the level of confidence the entrepreneur has towards his business and how willing they are to personally invest their own resources shows the level of commitment they are attaching to the business (Osborne, 1995:5).

3.4 Factors encouraging business success

Successful organisations change aspects within the business to better suit the changing environment and deal with the opportunities and challenges presented. The adaptation process is made easier by the choices of the organisation's leaders (Kallerberg and Leicht, 1991:138). Through the use of good judgement and other related factors, a good entrepreneur will select good business ventures, the opposite would prove true for a bad entrepreneur using poor judgement. The use of good judgement will minimise the level of risk that is associated with engaging in a new venture but does not mean the venture will definitely be a success. Once an entrepreneur can recognise the real opportunities and allow the minor ones to go by, then success is possible. (Casson and Wadeson, 2007:289).

Factors that encourage small business success can be exogenous, external to the business, or endogenous, from within the business. Success of a business is largely impacted by its external environment, that is the combination of how the knowledge, experiences and personality are affected by outside influences of society and the environment. The positive result of this makes a successful entrepreneur (Simpson, Tuck and Bellamy (2004:484). The internal factors include, among other things, the behaviour of the entrepreneur, the entrepreneur's managerial skills, the levels of education and the use of advisors.

3.4.1 External factors

These may also be called macro-environmental factors which Simpson *et al.* (2004:484) define as containing factors external to the company that present situational variables which may facilitate or inhibit entrepreneurship at any point in the lifecycle of the enterprise. Opportunities, threats and information affecting all entrepreneurs within that area regardless of their background are the external factors that they need to pay attention to. These factors would include economic, legal, cultural, political and technological aspects among others. Management needs to be able to deal with these factors to ensure success of the business as these factors will not change to suit the business (Viviers *et al*, 2001:4).

3.4.1.1 Economic factors

The success of a new venture within any given country depends on the state of the national economy at the time the business is launched. Examples of these economic factors are briefly discussed below:

Inflation

According to Viviers (2001:4) an increased inflation rate in a country means the value of wealth decreases and consumers spend less. The ripple effect of this could be fewer opportunities for entrepreneurs, thus lowering the chances of success.

Interest rates

Low interest rates facilitate access to capital and thus resources required for entrepreneurship. The opposite would limit the consumption rates and the amount of capital that can be raised for venturing (Ligthelm and Cant, 2002:5).

Exchange rates

This is a major factor in entrepreneurship in the case of South Africa, a stronger rand would be a disadvantage to export markets but locally, would make more capital available to possibly invest in local SMEs (Viviers *et al*, 2001:5 Ligthelm and Cant, 2002:5).

Unemployment

This factor affects the entrepreneurship process in that high unemployment pushes people to create other means of employment, such as creating small businesses (Ligthelm and Cant, 2002:5). In the case of South Africa, the high unemployment rates mean that there are more people opting for self employment and looking to engage in business ventures. Consequently, this means there is a lot of competition in those markets that have easy entry access and low complexity.

Change

Dealing with change is key for the success of a small business, as change and the uncertainty related to it are where market opportunities lie. Change includes the rapidly changing technology and changing market forces (Viviers *et al*. 2001:4). South Africa's entry into the World trade Organisation in 1998 and globalisation have affected the country's economy and thus bring competition within the markets. For

most SMEs in South Africa, the country's re-entry into the global economy brought with it a lot of change in the business environment that they were unable to deal with, leading to eventual extinction (Panco and Korn, 1999:7).

Taxation

One of the key factors inhibiting SME development is taxation. This is mainly because if tax rates are high then they reduce the profit incentive drastically (Viviers et al. 2001:4).

3.4.1.2 Business environment

According to Viviers (2001:3) changing aspect of the business environment provides SMEs with either opportunities or threats and this is detrimental to the success of any entrepreneurial venture. Providing a business environment that supports and promotes a vibrant entrepreneurial culture is the challenge facing most governments in South Africa as the environment is viewed as unstable.

3.4.1.3 Political Factors

In developing nations, political stability and legal requirements of doing business in a country can be possible drivers for or against the development of entrepreneurship. Such political aspects include legislation and policies that have been put in place that have potentially boosting entrepreneurial ventures or pushing down. The judiciary, which covers issues like the legal protection against intellectual property, contractual rights and the implementation of competition laws. This would also cover the political instability within a country. A country that is politically unstable is less likely to have many entrepreneurs succeeding (Ligthelm and Cant 2002:5).

3.4.1.4 Socio-cultural factors

According to Themba (1999:108) a country's development can be analysed using the socio-cultural conditions which may create goodwill environmentally that is to the benefit of SME's or on the other hand can present hurdles that stifle entrepreneurship. These factors include access to infrastructure, access to money or capital, access to labour and availability of other economic resources. This also considers the levels of crime in the country, the availability of health facilities and the general culture of the area that would affect business.

3.4.1.5 Knowledge and skills with regard to the business

According to Nieman and Nieuwenhuizen (2009:21), having sufficient knowledge and skills regarding an enterprise will ensure business success. Being aware of the limitations and making good use of expert advice and assistance will improve the chances of increasing performance and therefore enhance the probability of success. Experience that is not only relevant but has been tried and tested is a good determinant of success in the business. Many entrepreneurs have gone to start up their own business in the same field of expertise in which they would have worked and this works in their favour as they have a significant level of industry know how. They are largely dependent on their own strengths and keep the well of knowledge they acquired over the years within the business, increasing likelihood of success.

3.4.1.6 Knowledge of competitors

It is essential that an entrepreneur be in tune with what the competition is doing, who they are and what the position of their business is compared with that of the competitors (Nieman and Nieuwenhuizen, 2009:20). Knowledge of one's competitors is important for the successful establishment, continued growth and existence of the business. By continuously evaluating and monitoring their competitors, successful entrepreneurs can make informed decisions, act proactively, plan strategically and make adjustments where necessary. Once they have this knowledge they are in a position to determine their competitive advantage so as to differentiate their business from their competitors.

3.4.1.7 Market opportunity factors

According to Nieman (2006:23) market opportunity factors are industry specific, representing market conditions, the interests or actions of consumers, competitors, intermediaries and suppliers.

With regard to market conditions, it is necessary to pay particular attention to where the company is within its lifecycle and the industry trends and conditions. Industry complexities and weakness can inhibit entrepreneurship. Major changes in the industry lead to low predictability (Ligthelm and Cant, 2002:5), which does not allow for proper planning. The high growth potential of businesses within an industry in which the SME operates is also a factor in entrepreneurship. Choosing a market

segment with growth potential is a factor influencing the success of SMEs. A poor market selection, for example, one with poor growth prospects, many market imperfections, too much market heterogeneity and limited market size, can negatively affect the process. Therefore, having access to pools of knowledge regarding opportunities in particular markets would have a positive impact on entrepreneurship.

Other market opportunity factors that could affect the business include access to markets and choice of location. Nieman (2006:23) suggests stable access to markets and marketing brokers, as well as the ability to overcome barriers to entry into a specific industry is crucial for enhancing entrepreneurship and SME success and inadequate access to profitable markets inhibits entrepreneurship. While at the same time the geographic location has its implications for access to markets and other resources such as finance, skilled labour, infrastructure, transport logistics and other facilities.

3.4.2 Internal factors

3.4.2.1 Managerial skills

The concept of managerial skills is another important factor in operating a successful small business. While management competence and niche strategy are among the key features of successful small firms, inadequate management skills are highlighted as the most common cause for small business failure. In a study relating to recurring managerial problems, Kahn and Rocha (1983) and Nieman and Nieuwenhuizen (2009:21) suggested that the owner of a small business strengthens their managerial practice to avoid serious problems and eventual failure. They concluded that managerial areas of accounting, cash flow management and marketing are interrelated and the lack of knowledge in one of these areas may give rise to a problem in another area. It is interesting to note the single most frequently cited suggestion for reducing small business failure is increased management education (Ibrahim and Goodwin 1987:41).

3.4.2.2 A High level of education

According to Simpson, Tuck and Bellamy (2004:484) higher levels of education held by the owner, not only determines the level of revenues but also the amount by

which small firms have grown. The higher the level of education, the more revenue is expected. Small firms run by individuals with tertiary qualifications have higher revenue figures when compared to those run by individuals with high school qualifications. Higher levels of education and training assist the entrepreneur to deal with complex situations more rationally than an uneducated person would.

3.4.2.3 Use of advisors

Entrepreneurs who on a regular basis use the advice of professional advisors, experience their revenue rising which is a direct detector of growth within the organization. According to Nieman and Nieuwenhuizen (2009:21), small business managers who make use of advisers, do so in the sequence of lawyers, accountants, bankers and business consultants. They need to be assisted to implement the advice because they may not be able or be knowledgeable enough to do it themselves. Most successful entrepreneurs make use of experts inside and outside their enterprise to carry out some of the functions in the business, and they also attend seminars and training sessions.

3.4.2.4 Client service

Client services are a key success factor because they fit into other success factors. Moolman, (1996:5) and Nieman and Nieuwenhuizen (2009:20) agree that to ensure good client services, entrepreneurs need to have good communication with their employees and good customer relations with their clients. This is closely related to the quality of their products and services. By meeting the clients' expectations, entrepreneurs ensure client satisfaction which is closely connected to marketing. Satisfied clients will use the enterprise's products again and will also recommend it to potential clients. Administrative and technical factors are also important for good client services. Record keeping and filing systems for reference purpose and stock control, contract planning and target dates for completing work and contracts and work charts for information about clients are part of the administrative factors that positively contribute to client services.

Other factors that are likely to encourage business success in present day include working together as a team, having a long term strategy that combines innovation and business sustainability, providing a balance between work and family, providing

positive influence to the workforce, updated business policies in line with current law and legislation, broader global network, the ability to utilise the internet as a networking tool for international business, a workforce that is honest and trustworthy , the ability to analyse and communicate well, ability to process large amounts of information, the readiness to share information to allow co-workers to learn from other peoples mistakes, future based orientation, the tenacity to gain a competitive advantage in the trade industry of the business through specialisation and acquiring professional skills, and finally open to innovative opportunities on a international scale (Elenurm and Alas, 2008:24).

According to research done by Mahrouq (2010:9) on the success factors of small and medium size enterprises, he found that the internal factors could be ranked as follows in the order of their importance. First technical processes and technology, second structure of the firm, third financial structure, fourth marketing and productivity and fifth human resources structure. Equipment of high technology, a production operation that is well planned and engineered, research and development system, operating methods and new technology and automation are the five variables in technical procedures which have been viewed as the most significant success factors. If the afore mentioned are well implemented in the business, there is an increased likelihood of positively impacting the customers' view of the quality of products in the business. A clear feasibility study, an efficient managerial operation and organisational structure of the firm are the most significant aspects of the structure of the firm and managing the firm at the start-up stage. Competent and resourceful management is essential for the success of any type of organisation, and this would include the SMEs. Regarding the financial structure of the business, it is well known in literature that the lack of financial resources could be one of the main limitations that face SME's. Marketing includes factors such as the marketing research for products likelihood of sustainability or success, product promotion and locating the firm in a place where it is accessible to the target market or intended customers. The variables of marketing show why it is important that SMEs make it their duty to deliver their products or services to a precise market segment and to take full advantage of resource efficiency in doing so.

3.5 Measures of business success

As already determined, there are various definitions of success. Within the context of a small business, success is subjective to the organisations goals and objectives. Success cannot specifically be defined for all businesses as a whole because success is defined differently by each business and by each individual owner (Kallerberg and Leicht, 1991:138). In the same way, success would mean different things to the different groups that impact a society.

To the entrepreneur, the term success would be closely related to profit. The term entrepreneur is originally a French word which denoted anyone who borrowed capital to take advantage of an opportunity, repaid the capital with interest and then kept the profit (Arif, 2009:1). In this sense the goal of a lifestyle or formal sector high growth entrepreneur, as defined by Smorfitt (2010:11) should be profit maximisation, the goal of the firm under the theory of the firm. Lombard and Vosloo (1994:7) state that the mechanism for achieving equilibrium within the economy of any country is the firm that is to say the businesses or organisations as a whole. The theory of the firm can be described as the behaviour of these businesses or organisations in the pursuit of profit maximisation, analysed in terms of inputs, production techniques employed, quality produced and prices charged. Of all the factors of production, the entrepreneur plays the key role of mobilising the production factors and getting the economic production machine running.

To the government, entrepreneurial success would be about the contribution of the businesses to the economy and the GDP of the country and also the creation of employment. Government promotes small business success through an improved business environment that is business friendly. This can be done with a variety of selective and preferably, functional interventions. Bridge (1998:205) suggests that government is prepared to intervene as this helps the economy as job creation eradicates the high levels of unemployment.

Success as measured by entrepreneurship academics or scholars would require a level of consistency in the subject that is being measured and reliability in the information given. According to Lee, Strong, Khan and Wang (2002:137) timeliness, reliability and accuracy measure up to quality output of information. Therefore, for

the academic, the tool that is used to measure the level of success in the firm should be reliable and consistent. According to Walker and Brown (2004:578) organisation staffing figures and financial reports have been the traditional measures of business success. These have proven to be most reliable.

The aspect of measuring the success within any given organisation is strongly dependent on the objectives of the company and their view of success. Walker and Brown (2004:577) suggest that while financial criteria are thought to be the most appropriate measure of business success, many small business owners are motivated to start a business not for financial reasons but on the basis of lifestyle or personal factors (non-financial criteria). In the case of small businesses as defined by the Small Business Act, it is necessary to know which method is most likely to be the appropriate measure of success- financial or non-financial.

Financial status as a criteria for success

Insight into financial concepts, knowledge of financial management, how important it is and how it must work, form the basis for any entrepreneur to attain success in a venture (Nieman and Nieuwenhuizen, 2009:21). Schumpeter (1947:152) states that individuals who have the ability to discover opportunity and use it to create economic profit are entrepreneurs (Burch, 1986:14; Carland *et al*, 1984:358; Morong, 1994:369). Would this then translate to profit or good financial status being the best measure of success? According to Walker and Brown (2004:578) employee numbers or financial performance, such as profit, turnover or return on investment have been traditional measures of business success. An organisation that bases its success on financial standing, views success in business in terms of rate of return on sales and longevity of the firm. In other words, successful firms have an above average rate of return as compared to competitors of the same size and type of business and have been in business for five or more years (Ibrahim and Goodwin, 1987:42). They suggest that sales, profit and longevity are key indicators of small business success and overall performance.

Indirectly aligned with these measures is an assumption that all small business owners want or need to grow their businesses. This would be within the definition of entrepreneurship according to Ligthelm (2008:368) that suggests that usually, the

term entrepreneurship encompasses all the aspects involved in small business development and yet in actual fact this term only refers to businesses that have growth and development as sustainable and achievable objectives. For businesses to be deemed successful the financial measurements require increases in profit or turnover and/or increased numbers of employees. Profitability or profit maximisation and growth are clear signs and measures of success. (Walker and Brown, 2004:578). Economic measures of performance have generally been popular due to the ease with which they can be administered and applied, Ibrahim and Goodwin (1987:42). For continued existence, all businesses must be financially viable on some level.

According to Nieman and Nieuwenhuizen (2009:172) entrepreneurial success can be attained through determining the firm's financial requirements and forecasting for the future. This would involve firstly analysing all the financial projections records made from previous years. Secondly, placing a value on the assets, both fixed and current, that will be used in the production process to reach the desired sales. Thirdly, forecast the finances that will be needed in the preliminary phases before actual production begins. A successful business cannot be established or managed without setting realistic goals and planning towards these.

The reality is most businesses are not willing to divulge their financial status or are most likely to give false information so there must be other non-financial factors that these small business owners use to measure the levels of business success Walker and Brown (2004:578).

Non-financial aspects as a criteria for business success

Given the strong entwined nature of the business and the owner, personal success often equates to business success. Walker and Brown (2004:577) suggest that non-financial lifestyle criteria are a better measure of business success as compared to financial criteria. The non-financial criteria would also include personal satisfaction and achievement, job satisfaction and a flexible lifestyle which are ranked by many individuals as issues of higher value than wealth creation. Often, being in control of what to do and when to do it is an important feature of being the owner of the business and this gives time for personal activities. Personal factors such as age and

also business characteristics affect perceptions on the importance of these factors. Non-financial measures are criteria that are personally determined by the individual business owner although some of the factors are common to nearly all small business owners. These non-financial measures presume that there is a given level of financial security already established either within the business, or that the small business owner does not need the business to be the main source of income.

In a number of cases owners of small businesses have expressed no desire to increase their staff numbers and some are just not interested in growth, they find contentment in the smallness of the business even though that could be financial suicide for the business (Baines et al., 1997:49 and Gray, 1998:51). This could simply be caused by the fact that the entrepreneur had no plan or intention to create jobs for any outsiders besides themselves and family when they started their business (Gray, 1998:51; Smallbone and Wyr, 2000:46). While the option of not employing is a deliberate one, there are chances of entrepreneurs changing their minds over time.

Accepting the ever changing aspects of the business environment inclusive of the ever changing economic structure which affects the value of the money that workers are getting as remuneration, it is expected that a number of people will chose to start up small businesses. Even though the costs related with starting up a new business could lead to stress and frustration, a number of entrepreneurs find solace in knowing they are in charge and will no longer receive orders from another individual. Inevitably, other small business owners will always be driven to perform or better their business by monetary rewards. Their hope for growth and the chance of becoming a major player in the industry is propelled by increased financial rewards and they should not be condemned for it.

Growth as a measure of success

According to Walker and Brown (2004:578) the common measures of success are profitability and growth. Nieman and Nieuwenhuizen (2009:275) state that growth is instilled in the business enterprise as the main quality that will lead to its success. Growth is a broad term, and a firm could grow in various ways. Storey (1994:51) the characteristics of the entrepreneur; the characteristics of the organisation; and the

types of strategy associated with growth are three key components for growth in small firms.

According to Smallbone, Leigh and North (1995:47) high growth can be achieved by firms with a variety of size, sector and age characteristics. The leader of the business needs to be growth oriented and committed to the business objectives of achieving growth. While most small businesses rapid growth takes place in the early stages and then the business will slow down, there are some that go against the odds and grow to their fullest potential. As the pattern of growth is not always constant in each business, past records cannot be used as forecast measures for how the business will grow in the future. In fact, once a firm is established, growth can be a discontinuous process.

Nieman and Nieuwenhuizen (2009:279) suggest successful firms appear to have clearly demarcated market segments. The markets in which they enter are those that have high risk factors, high complexity and low competition. According to Smallbone et al. (1995:47), while the market environment influences the opportunities for growth, few high growth firms allow themselves to fall prey of market trends. In most cases active strategies are necessary to achieve growth over an extended period particularly with respect to products and markets. Firms achieve high growth in sectors offering very different opportunities for growth and different scope for building a business.

Most successful firms are able to set their own targets while adapting to market needs as they are characterised by an ability to make production process changes to complement an active market development strategy instead of them being production-led (Smallbone *et al.* 1995:48). Nieman and Nieuwenhuizen (2009:279), successful growing firms focus on their products to ensure emphasis on quality, branding and value for customers. They have superior performance and a competitive edge obtained by the implementation of new products and customer services.

Factors such as expansion, a greater increase in resources, greater profitability, an increase in personnel, new premises, greater influences in the labour market, pulling

power to attract more highly developed people are all brought about by growth. These in turn promise further growth and even higher status in the business community for the owners, meaning entrepreneurial success (Nieman and Nieuwenhuizen, 2009:275).

So, growth within an organisation can be measured by increased personnel, increased resources such as building extensions and purchasing of other fixed assets. According to Smorfitt (2009:101) measuring growth is a difficult entity to measure. There is also no agreed international growth measurement criterion for a business. Similarly, the impact of inflation would need to be considered on any increase in turnover and profit. The growth in the number of staff employed would tend to be a more accurate reflection of the growth of the business, as staff numbers would tend to exclude inflation as a factor that impacts on the measurement of growth.

3.6 Summary

From this section it has been determined that staff numbers and financial standing of a business which can be noted through analysing the profit or return in investments have been the trusted ways of measuring business success. Indirectly included in these measures is the assumption of growth that presupposes all small business owners want or need to grow their businesses.

This would be within the definition of entrepreneurship that suggests that usually, the term entrepreneurship encompasses all the aspects involved in small business development and yet in actual fact this term only refers to businesses that have growth and development as sustainable and achievable objectives. As small business owners are not willing to give out their financial records or to disclose their firms' financial standing, the more reliable means of measuring success within small businesses will be employee numbers.

The law of diminishing returns states that the enterprise confronts rising costs as it endeavours to expand. This is because of some fixed factor of production which limits profitable growth. This law therefore implies that businesses would not

unnecessarily increase their employee numbers unless they were growing and had an increased need for labour.

4. Research methodology.

4.1 Introduction

The previous chapters reviewed the literature available on the entrepreneur and the theory of entrepreneurship and entrepreneurial success. The economic theory that substantiates the importance of entrepreneurship in any economy is the theory of the firm. Secondary data shows that entrepreneurs are the driving force behind factors of production and therefore play an essential role in growing the economy of any country. The entrepreneur plays a paramount role in combining the factors of production for the accomplishment of definite tasks. The entrepreneur controls the factors of production and through this action they are able to either make an economic profit or loss. Burch (1986:14) presents a continuum of the different kinds of entrepreneurs and their tendencies toward entrepreneurial activity. Smorfitt (2010:13) also clearly defines the differences in the entrepreneurs and the value they add to the economy.

Literature also shows the staff numbers, or the performance of a business financially notably through profit and return on investment, are the most reliable way of measuring business success (Walker and Brown, 2004:578). Indirectly included in these measures is an assumption of growth that links all small business owners with a desire or need to grow their businesses. This would be within the definition of entrepreneurship according to Ligthelm, (2008:368). Usually, the term entrepreneurship encompasses all the aspects involved in small business development and yet in actual fact this term only refers to businesses that have growth and development as sustainable and achievable objectives. That suggests that while small business owners are not willing to give out their financial records or to disclose their firms' financial standing, the more reliable means of measuring success within small businesses will be employee numbers. The law of diminishing returns states that the business faces rising costs as it undertakes to expand or grow. The cause of this being that some fixed factors of production limit profitable growth (Teece, 2000:49). This therefore implies that businesses would not unnecessarily increase their employee numbers unless they were growing and had an increased need for labour, and had sufficient profits to fund such employment.

Therefore this study will use growth, particularly employee numbers in small businesses as a tool to measure the success within the various firms.

4.2 Nature of the Research

This is a formal cross-sectional and causal study of SMEs in the formal sector, trading in Pietermaritzburg South Africa. A cross-sectional study is one that is only executed once and represents a snapshot of one point in time (Blumberg, Cooper & Schindler, 2005:130). It is not a longitudinal study as data is only collected in 2011. It highlights research problems and hypothesis statements, in order to obtain a clear understanding of the research problems and hypotheses. The main emphasis of a causal research design is to determine a cause and effect relationship between variables and what is causing this causal relationship. This is best measured if one variable is held constant while assessing the change in the other variables. In the instance of this study, the aim is to ascertain a causal relationship between the levels of entrepreneurial activity within business has an effect on it being a successful business (Singh, 2007:66).

This study is a formal empirical research study and reviews existing secondary text and data, and creates primary data through the use of an e-mailed questionnaire. The questionnaire was used to do a quantitative causal research study on the research topic, using exploratory, descriptive, causal and evaluative questions (Mouton, 2002:54). Wherever possible the questionnaire used methods intended to reduce interpretive errors by respondents.

For the purpose of this study both qualitative and quantitative research were carried out to investigate the success of small businesses in Pietermaritzburg, and the role of entrepreneurship in acquiring success. According to Coldwell and Herbst (2004:13), information is considered to be qualitative if it cannot be measured using mathematical methods. This could also mean that the situation being analysed is not one that is constantly recurring so reliable data cannot be collected. The methods utilised in qualitative research are mainly in-depth interviews and projective techniques. During the in-depth interviews, the interviewer has to let the respondents express their thoughts freely and this process works best when it is done face to face. This method allows for the analysis of problems, opportunities and situations in

the business environment. In the case of this research, open ended questions were used in the questionnaire to probe the respondents to give in-depth information pertaining to their view of entrepreneurial activity and its link to business success.

On the other hand the collection of primary data from large numbers of individuals frequently with the purpose of showing the results to the wider part of the population is what is involved in quantitative research. The collection of numbers and their classification, together with other facts and opinions, provide the data (Coldwell and Herbst, 2004:15).

4.3 Objectives of the study

The research problem and objectives are detailed in this section. It is important that a clear statement of the research problem and objectives of the research study are formulated prior to designing the questionnaire as this will ensure correct data is collected and the objective of the study will be attained.

4.3.1 Research problem

The aim was to determine the role of entrepreneurship in small business success, in Pietermaritzburg, South Africa.

4.3.1.1 Research Question

Are entrepreneurial businesses more likely to succeed than non-entrepreneurial enterprises?

4.3.1.2 Hypothesis

Hypotheses will be used to validate this research study as they are testable, thereby making a real contribution to the current body of knowledge within the entrepreneurial field of research. The hypotheses for this study are stated below:

Ha0: The rate of introducing new methods of production and new inventions in small businesses run by a manager is lower than that of entrepreneurial businesses.

Ha1: The rate of introducing new methods of production and new inventions in small businesses run by a manager is not lower than that of entrepreneurial businesses.

Hb0: The decision making process is longer in small businesses run by a manager than entrepreneurial businesses.

Hb1: The decision making process is not longer in small businesses run by a manager than entrepreneurial businesses.

Hc0: The level of research and development in small businesses run by a manager is lower than that of an entrepreneurial business

Hc1: The level of research and development in small businesses run by a manager is not lower than that of an entrepreneurial business

Hd0: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs engage in less entrepreneurial activity.

Hd1: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs do not engage in less entrepreneurial activity.

He0: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs are less likely to be successful.

He1: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs are more likely to be successful.

4.3.2 Research objectives

The objectives that had to be achieved are:

1. To identify which small businesses are successful.
2. To identify the level of entrepreneurial activity in the successful businesses.

To identify which small businesses are successful

In order for this research to provide meaningful outputs, the same criteria must be measured for all participants. The difficulty in getting financial information must also be considered, and metrics must be selected which are relevant yet easy to obtain.

Therefore this research project used the number of staff employed by the organisation as a measurement metric to assess success. Turnover figures can be affected by inflation, but staff numbers are linked to the volume of activity and profitability in the organisation. As it is an additional cost to the business, the business does not employ unnecessary people, and therefore an increase in staff should provide an indicator of increased business activity. However, this increase must be longitudinally contextualized (Walker and Brown, 2004:578).

To identify the level of entrepreneurial activity in successful businesses

This research objective will bring to light a better understanding of the role of entrepreneurial activity in small business success. According to Burch's continuum (1986:15), there is a difference in the entrepreneurial traits of a small business manager and that of an innovative entrepreneur. Burch bases his argument using the characteristics of an entrepreneur which are opportunity seeking, independence seeking, wealth seeking, innovative, venture seeking, risk-accepting and intuitive. The study therefore used these factors to measure the levels of entrepreneurial activity within the successful organisations.

4.4 Sample selection

4.4.1 How the population was determined

Population is the larger pool of information from which our sampling elements are drawn, and to which we generalise (Blanche *et al.*, 2006:133). For the purpose of this research the population is the SMEs in the Pietermaritzburg Chamber of Business (PCB) database. PCB is a voluntary association of business enterprises and has a total membership of 832 companies. The PCB is a member of the South African Chamber of Commerce and Industry (SACCI). For the purpose of this research, the database was firstly sorted by the size of the company so as to eliminate all the companies that are not classified as SMEs according to the National Small Business Act. From the 832 companies, 22 had more than 200 employees and that brought the total of the population to 810 businesses. The population was further narrowed by removing all the government businesses, NGOs (non-governmental organisations), schools and honorary members of PCB as they are not included in the scope of this research. The final population size was 678 businesses.

4.4.2 Method for selecting the sample

Blanche *et al.*, (2006:564) define the process of sampling as involving the selection of the specific research participants from the entire population. An initial small group of 6 small businesses was selected using probability random sampling in order to test the validity of the questionnaire and if the questionnaire functioned as expected and gathered the required information.

From the population of 678 businesses at PCB, which is all the small businesses as defined earlier in this study a random sample was be taken. Using the sample size formula (Blanche *et al.*, 2006:564), the number of businesses that were used for the research were 252. The questionnaire was emailed to all selected businesses. The criteria for the participating businesses are that:

- they are SMEs as defined by the national small business act
- they are members of the PCB.

Sample size formula:

Sample size formula	$N/(1+(N(e)^2))$
	N = population
	e = precision = 5%
	Confidence level = 95%
	P= 5

Tables 4.1 Sample size formula

	Database	Large	Less control group	N	e=0.05	n
Total	832	154	0	678	0.05	252

Table 4.2 Sample size calculation

4.4.3 Data collection procedures

A questionnaire was emailed to the participating small businesses. The reason for using an e-mail survey was to take advantage of the ease of access to contact vast numbers of potential respondents in a short space of time. It is also the preferred method for collecting data from a large group which is also geographically dispersed (Wegner, 2001:16). The cheapest way of collecting information from a large pool of respondents is through the use of a questionnaire. Often questionnaires are the only feasible way to reach a number of respondents large enough to allow statistically analysis of the results.

After a period of two (2) weeks, the questionnaires and reminders were resent to the respondents who had not returned completed questionnaires.

4.5 Questionnaire Design

For any research to be successful, primary data needs to be collected. A questionnaire is one of various ways of collecting data from the respondents. The questionnaire design is crucial to the success of this research study. If the questionnaire does not extract the correct data from the respondents, irrespective of the quality of the statistical analyses, the results will be useless, the purpose of the research would be defeated and that data will add nothing to the body of knowledge. The questionnaire needs to allow the respondent to provide the information for the research as primary data, in the simplest and most accurate manner possible so as to aid in enhancing the body of knowledge (Bogdan and Bilken, 2009:1).

The questions should provide the data for the analysis of the core problem of investigating the role of entrepreneurship in small business success in Pietermaritzburg, South Africa.

The questionnaire that was sent out to participants comprised of different types of questions. Open ended questions were used to get as many details as possible. Open ended questions allow for the respondents to answer from their own frame of reference rather than being confined by the structure of pre-arranged questions. Respondents express their thoughts more freely (Bogdan and Bilken, 2009:1). Dichotomous questions, which are a form of close ended questions, were also used. According to Brace (2004:86) closed-ended questions are those with pre-designed answers with a small or large set of potential choices. One type of closed-ended question is a “dichotomous” question which allows respondents to choose one of two answer choices while another type is the “multi-chotomous” question, which allows respondents to choose one of many answer choices. Both the above forms of close-ended questions were used in the questionnaire.

Lastly, likert scale questions were used in the questionnaire. A likert scale measures the respondents' level of agreement or disagreement to a mentioned situation or statement. This type of question gives respondents a sequence of different aspects that can be used to address the question. For each aspect, the respondent is asked if and how strongly, they agree or disagree to each aspect using a point rating scale.

Likert scales are given scores or assigned a weight to each scale, usually from 1 to 5. The purpose of the likert scale is to get a response average, and the intent of the likert is in that the statement will represent different aspects of the same attitude (Brace, 2004:86).

The first part of the questionnaire seeks to find information on the first research objective, which is to identify which small businesses are successful.

Questions 1 to 6 seek to find out background information about the owner of the business and what roles or functions they perform in their businesses. This will provide light as to how best to classify the owner of the business using the continuum as reference for classification, and the environment in which he is competing.

Questions 7 to 11 address the issue of success, that is, what the owner views success to be and where the business is according to that view. For the purpose of this study, it has been pre-determined that employee numbers will be used to determine the success of the business. An increase in employee numbers will show growth and growth is a good measure of success (Walker and Brown, 2004:578).

The next set of questions seeks to find information on the second objective of this study, which is to identify the level of entrepreneurial activity in successful businesses. Using Burch continuum of entrepreneurship and the modified version of Burch's entrepreneurial continuum by Smorfitt, questions 12 to 18 use the variables of the continuum to rank the level of activity of the owner of the business. This will show how "entrepreneurial" the owner of the business is.

4.6 Statistical analysis of questionnaire data

All data capturing will be checked twice to ensure that no errors were made during the data capturing process. It is essential that the reliability and validity of the data collecting and capturing process be tested to check if the results of this study can be generalised and applied to other businesses which were part of this study.

4.6.1 Reliability

Reliability is related to the accuracy and precision of a measurement process (Schindler and Cooper, 2001:95), it is the level in which the researcher measures the

true value of the observed variable and if it is error free. Reliability refers to the stability and consistency of the results derived from the research, and the probability that the same results could be obtained if the conditions used in the research were replicated. A number of tests can be carried out on the data so as to find the level of reliability of the information that was presented.

Cronbach's Alpha is one of the reliability coefficients and it based on the average correlation of variables within a test if the variables are standardised. If the variables are not standardised, it is based on the average covariance among the variables (Coakes and Steed, 2003:140, Blumberg *et al.*, 2009:458). The Cronbach's alpha can range from 0 to 1. Cronbach's alpha was also calculated as part of the reliability test to assess how consistent the results were and whether similar results can be generalised if the sample size is increased. A value of 0.7 or higher is a very good value that can lead us to say that the same results will be achieved if this survey was executed with a larger sample of respondents.

4.6.2 Validity

Validity of the research relates to the test measures that the researcher actually wishes to measure (Schindler and Cooper, 2001:95). Validity is the level to which the researcher measures the accuracy of representations compared to what it is supposed to be, however accuracy does not assure validity (Hair *et. al.* 2010:7). Ensuring validity starts with a thorough understanding of what is to be measured and then ensuring the measurement is correct.

4.7 Analysis of findings

Findings will be analysed when the statistical analysis of the primary data had been done. In the context of the secondary data analysed in the literature reviews, and compared to the findings of the secondary research.

4.7.1 Frequencies

According to Schindler and Cooper, (2001:98) a frequency analysis across all variables of the questionnaire was done to investigate the relationships between the variables such as the level of entrepreneurial activity, management style and the number of businesses owned to the level of success within a business. The

frequencies were be tabulated in the form of graphs to allow for clearer understanding in the differences.

4.7.2 Anova testing

Anova testing is the analysis of variances between groups. ANOVA is used to determine whether there are any significant differences between the means of three or more independent or unrelated groups. It determines whether any of those means are significantly different from each other (Welman and Kruger, 2009:118). This method of analysing data will bring to light if there is difference with regard to success in the entrepreneurs that engage in less entrepreneurial activities compared to those who engage in more entrepreneurial activity.

4.8 Summary

This chapter gave detail on the research methodology that was used for this dissertation. The nature of the study, research objectives and research questions were clearly defined as well. The study was a formal cross-sectional and causal study of SMEs in the formal sector and both qualitative and quantitative research were carried out to investigate the success of small businesses in Pietermaritzburg, and the role of entrepreneurship in that success. From a population of 678 businesses, 252 randomly selected businesses were emailed the questionnaire and the data collected and analysed.

5. Data analysis

5.1 Introduction

In the previous chapter, information was provided as to how the collection of data was to be carried out. A clear definition of the research methodology was presented. In this chapter, the data which was collected is presented in the form of tables, pie charts and bar graphs. The data was processed using SPSS (version 19) to derive the information that is provided below. In the first section, the data will be analysed per question. The following section will firstly present the findings from the data collected then use the data collected to answer the hypotheses, the research objectives and finally the research question. The total number of respondents that sent back the questionnaire was 17.

5.2 Data analysis by question

The questionnaire that was sent out to 252 companies comprised 18 questions. The first section of the questionnaire sought to find out background information about the owner of the business and what roles or functions they perform in their businesses and assist in the classification of the owner as an entrepreneur and define the environment in which they are competing.

The reliability of the data that was collected was tested using Cronbach's Alpha test.

Reliability Statistics	
Cronbach's Alpha	N of Items
0.454	7

Table 5.1- Reliability Statistics for questions 1,3,6,13,16,17and18

As an initial examination of the reliability, the measurement scales for this questionnaire were evaluated and the Cronbach's Alpha coefficients were calculated in SPSS 17.0. The reliability level of the questionnaire was found to be 45.4% which indicates that the constructs used in describing success and entrepreneurial

activities are not consistent and the information that was found would not be consistent if the research was done using a larger sample.

5.2.1 Are you the owner or a shareholder of this business?

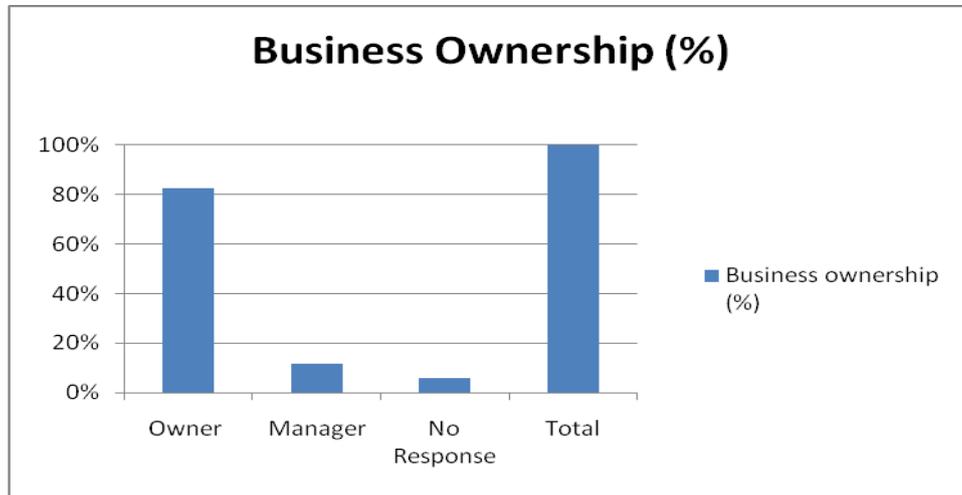


Figure 5.1: Business ownership

Figure 5.1 reflects 82.4% of the respondents were owners of their businesses, while 11.8 % of the respondents were managers of the business and 5.8% of the respondents did not respond to this question. As a result of this 17.6% of the respondents will not be used for the rest of the study as this study seeks mainly to analyse the owners and shareholders as small business managers.

5.2.2 Activities that best describe the roles of the owner

The response to this question brings clarity to the roles played by an entrepreneur as compared to those carried out by a small business manager. From the literature that was reviewed earlier in the research, the researcher drew up a list of activities or roles that are carried out specifically by the different groups. From the list that was provided to the respondents on the questionnaire, managers will only have the capacity to manage cash flow, sales and budgets of the business, hiring and firing of staff, ensuring that business can meet its demand and come up with ways of marketing the business' product offering. However, entrepreneurs will mainly do activities such as formulation of the goals and objectives of the business, dealing with the values and principles that the business stands for, decision making, formulating steps to see the business develop and grow, finding capital to finance

business growth, and they have the capacity to carry out all the roles independent of the size of the business.

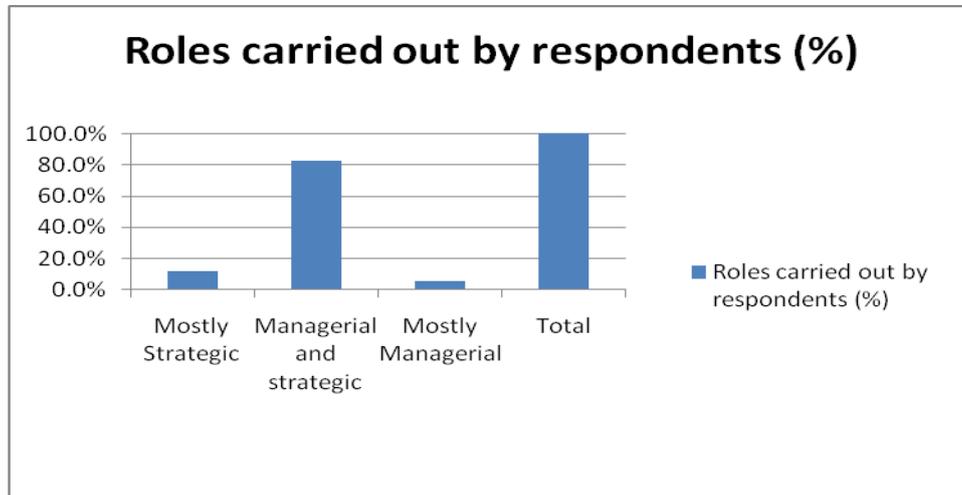


Figure 5.2 Tabulation of roles carried out

Figure 5.2 compares the roles played by the respondents and the likelihood of success in the business. Most of the respondents (82%) engage in both managerial and strategic roles, 12% engage in mostly strategic roles in their businesses making a total of 88% who are involved strategically, and 6% of the respondents engaged in managerial roles only.

5.2.3 Was the business a start up or purchased?

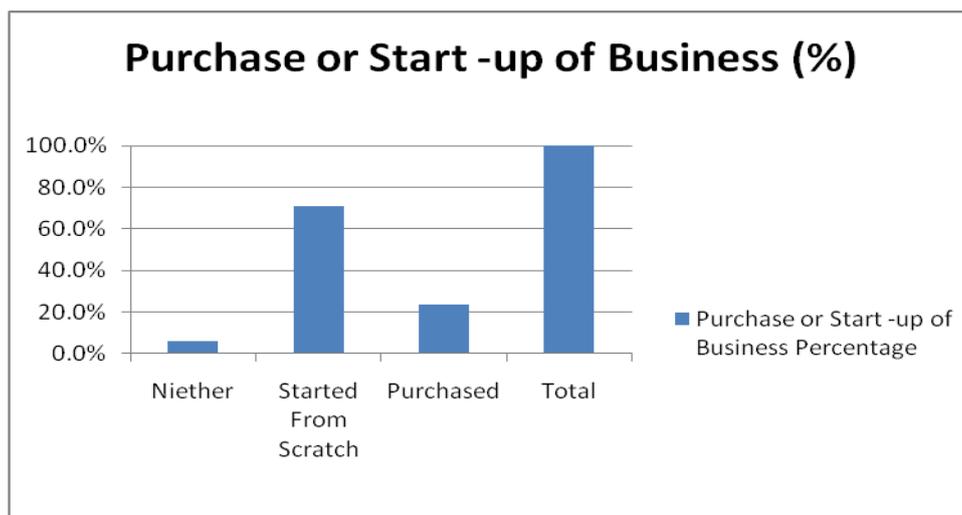


Figure 5.3 Business start-up or purchase

From figure 5.3 above, it can be derived that a greater number (70%) of small businesses within the sample were started from scratch, as compared to the 23.5% that were existing businesses that were purchased.

5.2.4 Background information of previous activities before start up or purchase

The data showed that a small percentage of respondents have always been “opportunity seekers” and have started a number of businesses. A single respondent was a manager and therefore did not qualify to answer these questions. The rest of the respondents however either own or are shareholders of businesses. 64% of respondents who indicated that they were either business owners or shareholders had remained in the same line of business which they operated in before they started their businesses

5.2.5 Owners reasons for starting-up the business

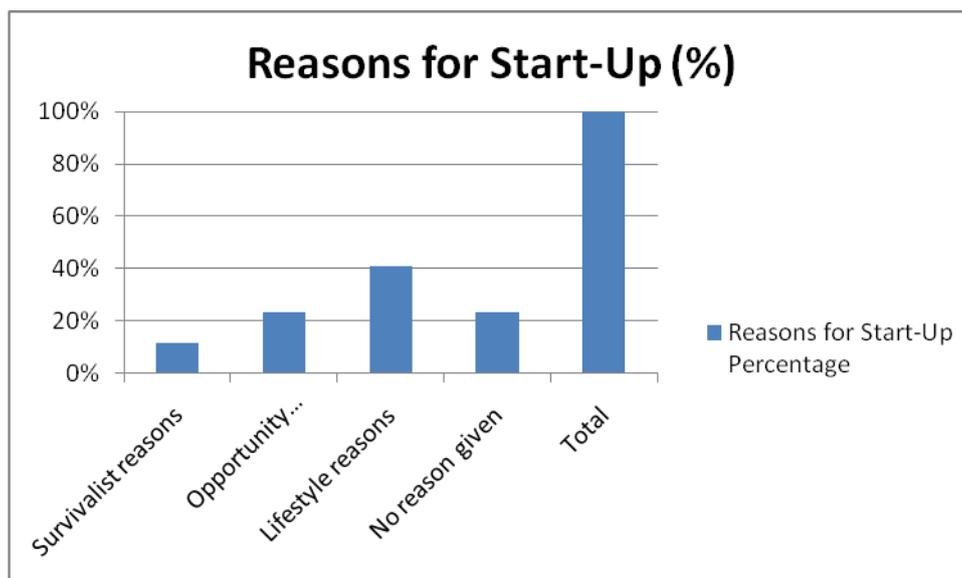


Figure 5.4 Reasons for starting up

It is evident from figure 5.4 that 41% of respondents gave lifestyle reasons for starting up their businesses. Their reasons included the need to be an employer instead of an employee, to be independent and rich, the passion to inspire and empower other people, to determine personal working hours, targets, mission and vision, felt unproductive and not so effective in the company any longer and decided

to stop and do something more challenging. The next group was the 23.5% of respondents who gave reasons that were closely linked to opportunity seeking. Their reasons included identified opportunities, identified a need in society and made a business out of it, to fill a gap in the market that was left by other companies in the same line of business and to help fill a gap in the market. A further 12% of the respondents gave survivalist reasons for starting their businesses. These reasons include the need for self support after retrenchment and to have an income to pay bills. The last 23.5% of respondents gave no reason for start up because they were either managers of the business and did not know the reason why the business was started or because they purchased the business.

5.2.6 In a case where the business was purchased, is it a franchise?

As already discussed in the literature, franchises do not allow for much entrepreneurial activity and are more likely to be ventured into by lifestyle entrepreneurs. Many businesses however are run by small business managers. These could be people who have no entrepreneurial spirit, as well as other people who have previously behaved in an entrepreneurial manner, but who no longer act entrepreneurially. Franchisees are a classic example of people who may possibly not be entrepreneurial but are comfortable as lifestyle entrepreneurs. These franchisees are quite happy to allow the franchisor to control strategy and marketing, thereby removing the need for entrepreneurial endeavour by the franchisee. From the data collected none of the respondents were owners of a franchise.

5.2.7 Business owners' definition of success

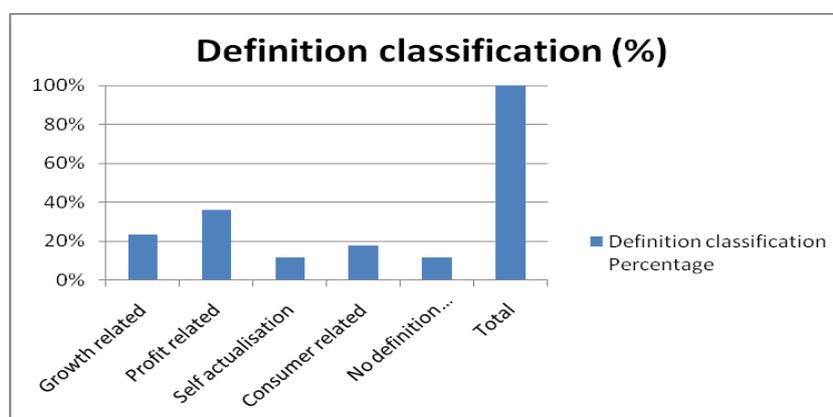


Figure 5.5 Definition of success

The definitions that were found in the data were grouped into four categories which were growth related, profit related, self-actualisation or consumer related definitions to simplify the analysis process. The group that had the largest number (36%) of respondents was the one whose definition of success was based on profit. These respondents explained that profit was the most important factor in their businesses and found no reasons to continue if they were not making a profit and they would rely on their return on investment (ROI) as the indicator. A further 23.5% of the respondents said they would view growth as an indicator of success in their businesses, they found the ability to create jobs while positively impacting their societies was a good indicator of success. One of the respondents said making a difference in people’s lives through employment creation while also meeting the needs of the organisation would best show success in his business. 17.5% of the respondents said success in their business would be determined by consumer satisfaction and other customer related issues such as the ability to meet the needs of the customer through world class service. The last group of respondents said their indicators of success would be factors that are related to self-actualisation and 11.5% said happiness and loving what they do for their customers are their indicators of success.

5.2.8 Owners’ business success rating according to previously stated definition

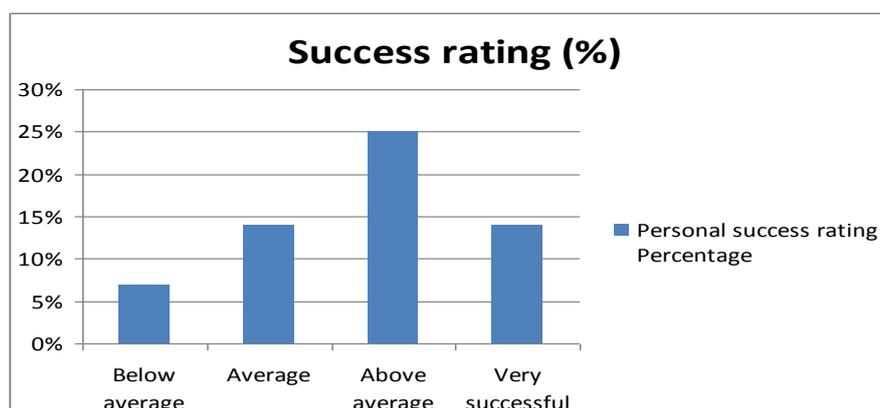


Figure 5.6 Personal rating according to success definition

Among the respondents 25% rated themselves as above average. This means that most of the goals have been attained and the business is performing well. There were an equal number of respondents that rated their business as very successful and those that rated their businesses as just average, with both groups at 14%. Those that ranked their businesses as very successful meant that the business had exceeded most of its goals; it has grown and is performing far above the expectation. On the other hand those that ranked their businesses as average meant that the performance of the business is generally where it was anticipated to be. 7% of the respondents said their business was currently performing below average, which means that the business is still working at attaining most of the goals.

5.2.9 Changes in employee numbers

This research defines success as growth in the business and growth defined by an increase in staff numbers. The first question asks how many employees the business has currently and the second asks how many they had when the business first started. A positive difference, which is an increase in the numbers from when they first started, indicates growth in the business. A negative difference, which is a decrease in the number of employees from when they first started to present day, or if the numbers have not changed that would mean there has been no growth in the business.

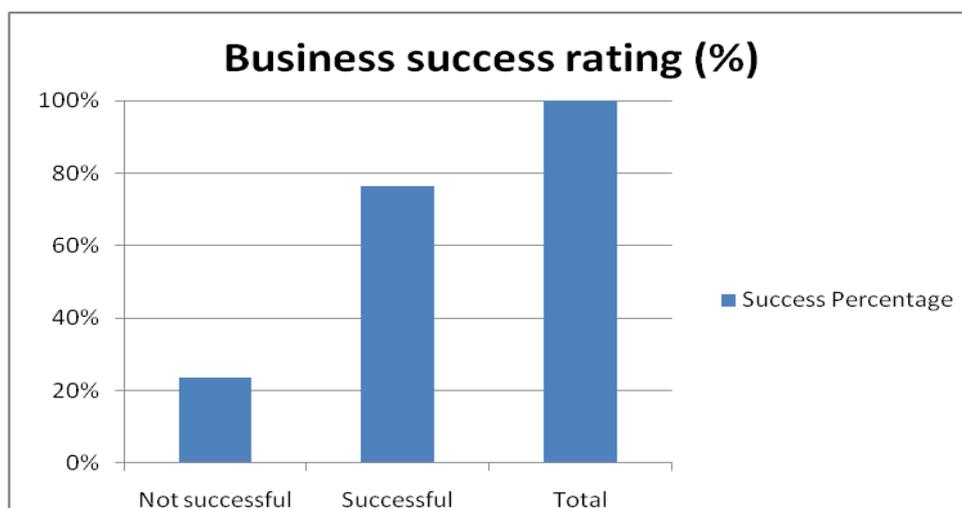
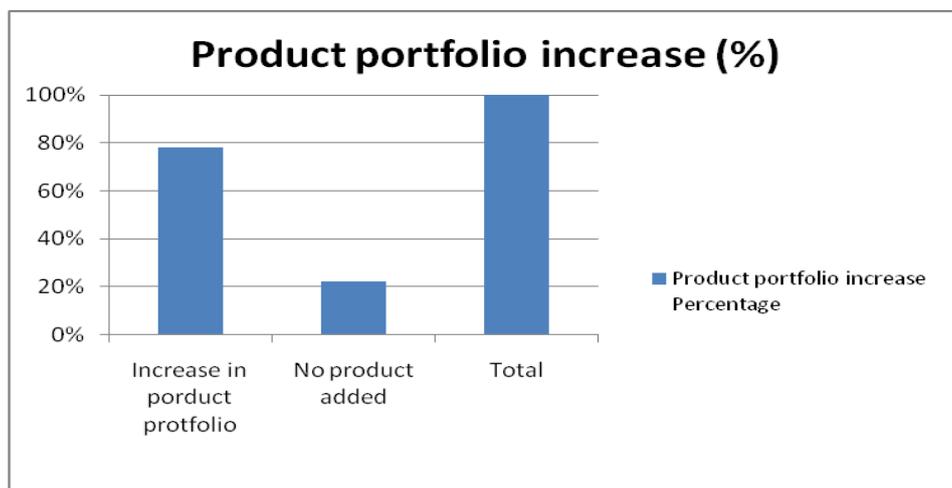


Figure 5.7 Success

Figure 5.7 indicated that, 23.5% of the respondents are not successful. This essentially means that the staff numbers within that business have either remained constant or the business has actually reduced the number of employees within the business. On the other hand 76.5% were successful according to the definition of success used in this research study indicating that the number of employees within that business has increased.

5.2.10 Changes in portfolio since the owner started up the business



Figurer 5.8 Level of entrepreneurial activity (product portfolio increase)

From Figure 5.8 it was noted that 78% of respondents have added new products to their portfolios since their businesses began while 22% are producing only what they produced from the time they started the business. From the 78% that had an extension in the business product portfolio, 9% of the businesses were deemed unsuccessful as per the success definition used for this research, and a total of 70% were of the businesses that were deemed successful according to this research. From the data collected, the researcher found that the number of products that had been added range from 1 (the lowest number) to 30 (the highest number of products introduced). The average number of products that is added to a successful business is 6.

5.2.11 Previous entrepreneurial activity

Figure 5.9 shows that only 28.5% of the respondents have started or purchased other businesses previously. This shows higher level of entrepreneurial drive in the 28.5% than in the 71.5% who have only ventured in the sole business.

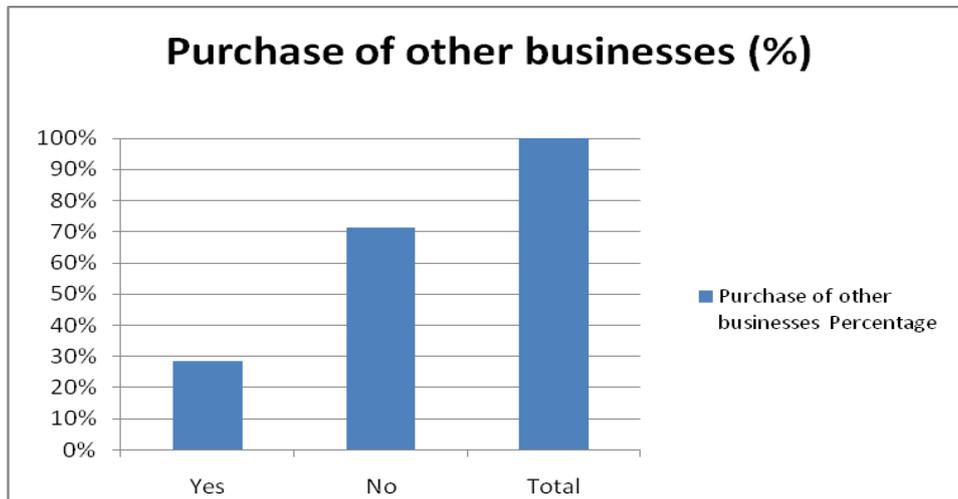


Figure 5.9 Purchase of other business

5.2.12 Number of businesses currently owned

From the business owners that were deemed to be successful, 57% of the respondents had more than 2 businesses that they currently owned while the remaining 43% had ownership of only one business. This shows that the 57% of the respondents are more entrepreneurial than the other respondents.

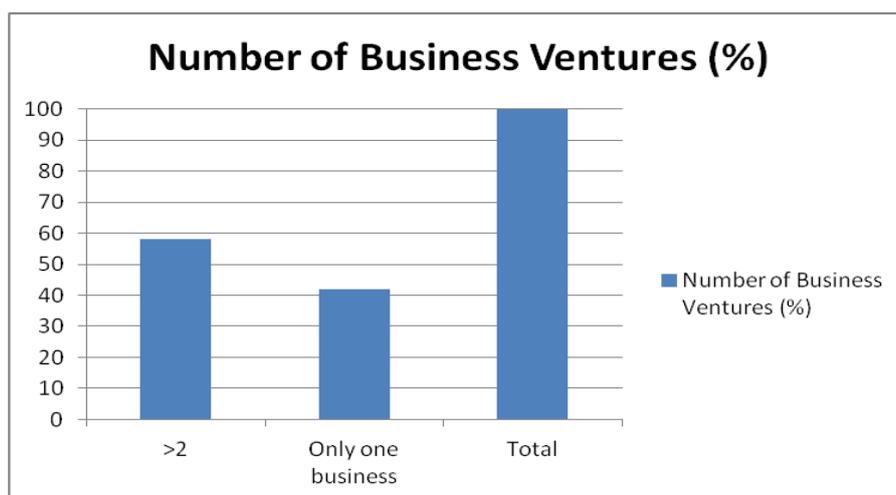


Figure 5.10: Level of entrepreneurial activity (number of business ventures)

5.2.13 Businesses' net profit before tax?

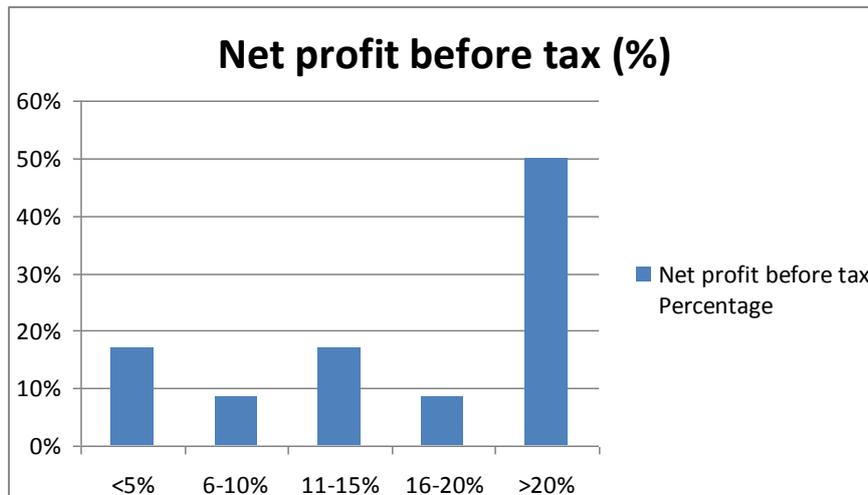


Figure 5.11: Differentiating entrepreneurs by level of profit

Figure 5.11 reveals that the largest percentage (50%) of respondents had more than 20% profit after tax. This means that 50% of the respondents consider themselves successful and as high growth entrepreneurs. There is an even distribution between the survivalist group which is made up of the profit levels between <5% and lifestyle entrepreneurs whose profit is between 5% and 20%. 17% of the respondents said they were lifestyle entrepreneurs while 33% said they were survivalist.

5.2.14 Number of entrepreneurial activities undertaken by the owner

The objective of these three questions was to find out the level of entrepreneurial activity within these businesses as defined by Burch (1986). Question 16 asks if the respondent has ever successfully invented and marketed a product (an inventpreneur). Question 17 asks the respondents if they have invested in other people's businesses (a venture capitalist). Question 18 asks the respondents if they are shareholders in any other small businesses. A positive response to any of the three questions shows that the entrepreneur is a high growth entrepreneur. If the respondent answered positively (yes) to all three questions, this shows that the entrepreneur is engaging in more entrepreneurial activities and increasing the likely of entrepreneurial success and yet if the respondent answers yes to only one of the three questions the business still has a chance of entrepreneurial success but are engaging in less entrepreneurial activity when compared to the other businesses.

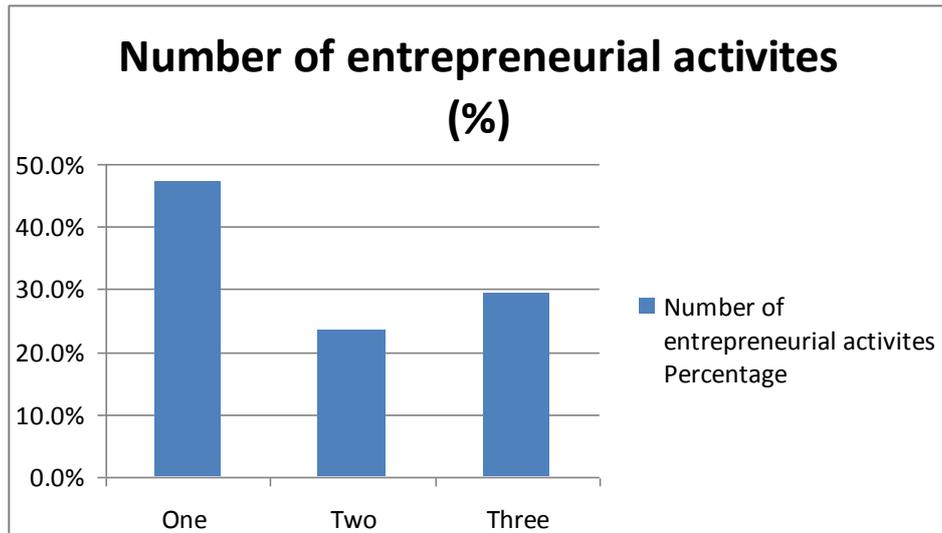


Figure 5.12: Number of entrepreneurial activities engaged in by the respondents

From Figure 5.12 it is clear that the highest number of respondents (47.1%) engaged in only one of the entrepreneurial activities that were used to measure innovation and entrepreneurial drive. 23.5% of the respondents engaged in two of the entrepreneurial activities and 29.4% engaged in three of the entrepreneurial activities showing a higher level of entrepreneurial drive by engaging in more entrepreneurial activities.

5.3 Research objectives

5.3.1 To identify which small businesses are successful

The indicator that was used to determine success in the business was a positive change, an increase, in the number of staff in the organisation. No organisation or business would increase staff numbers if there was no need for them in the business. An increase in staff numbers means that the business is growing, and growth is an objective for high growth enterprises and therefore is a good indicator of success. From Figure 5.6 it can be noted that 76.5% of the businesses that answered the questionnaire were successful by this definition of success. These businesses are the businesses that will be used to address the second objective.

5.3.2 To assess the level of entrepreneurial activity in successful SMMEs

The data highlighted a number of factors that the researcher has selected to test the

level of entrepreneurial activity in the 76.5% of the respondents that had successful businesses as defined for this research study.

From the literature it was determined that for a business to be successful it not only needs to have good managerial tendencies but good strategies as well. Entrepreneurs need to be strategic thinkers. The first aspect that will be used to analyse the level of entrepreneurial activity is the roles of the respondents who answered the questionnaire. The style of running the business and the tools engaged in doing so play a major role in the success of the business.

Descriptives								
Comparing the levels of entrepreneurial activities for Successful business								
	N	Mean	Std. Dev	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Both managerial and strategic roles	84.6%	10.18	9.683	2.920	3.68	16.69	1	35
Mostly strategic roles	15.4%	97.50	123.744	87.500	-1014.29	1209.29	10	185
Total	100	23.62	49.289	13.670	-6.17	53.40	1	185

Table 5.2: Entrepreneurial levels in successful businesses

From Table 5.2 it is evident that none of the respondents who were deemed successful engage in mostly managerial roles, rather 84.6% engaged in both managerial and strategic roles and 15.4% of the respondents engage in mostly strategic roles. The chances of being successful average 23.62. For those respondents that engage in both managerial and strategic roles, they have a 10.18 chance of being successful while those who engage in mostly strategic roles have a 97.5% chance of being successful. Evidently those that engage in more strategic roles have a better chance of being successful than the other group that had a balance between managerial and strategic roles. Those engaging in mostly strategic

roles are being more entrepreneurial and have higher success levels in their business.

ANOVA					
Success					
	Sum of Squares	df	Mean Square	F	p-value
Between Groups	12902.941	1	12902.941	8.734	0.013
Within Groups	16250.136	11	1477.285		
Total	29153.077	12			

Table 5.3: Testing reliability of roles as measure of success

To test the reliability of using the roles of the respondents as a measure of success the Anova test was done and the p-value is 0.013. Table 5.3 shows that the researcher that using the roles of the entrepreneur as one of the means of analysing the level of entrepreneurial activity that the entrepreneur would engage in is a good tool and this is seen by the p-value reading below 0.05. If the p-value was above 0.05 then the roles that are played by the entrepreneur would not be a good way of analysing the level of entrepreneurial activity within the businesses.

5.3.3 Research question

Are entrepreneurial businesses more likely to succeed than non-entrepreneurial enterprises?

From all the information reported, it is apparent that entrepreneurial businesses or businesses that engage in more entrepreneurial activity have a higher chance of surviving than those that engage in less entrepreneurial activity and are therefore more likely to succeed.

5.3.4 Hypotheses

The hypotheses that were set for this study were to evaluate the effectiveness of the attributes mentioned by Burch as indicators of entrepreneurship by using the different variables to measure chances of a business succeeding. The first hypothesis reads:

Ha0: The rate of introducing new methods of production and new inventions in small businesses run by a manager is lower than that of entrepreneurial businesses.

Ha1: The rate of introducing new methods of production and new inventions in small businesses run by a manager is not lower than that of entrepreneurial businesses.

The information from the data that was collected in question 12 addresses this hypothesis. Question 12 sort to find out how many new products or services the respondent had added to the product portfolio of the business since being a part of it. From Figure 5.8 it was noted that 78% of respondents had added new products to their portfolios since their businesses began while 22% are producing only what they produced from the time they started the business. From the 78% that had an extension in the business product portfolio, 9% of the businesses were deemed unsuccessful as per the success definition used for this research, and a total of 70% were of the businesses that were deemed successful according to this research. Using this information, it can be concluded that the rate of innovation, introducing new inventions and new production methods, is higher in the successful businesses. However, the non- successful businesses also engage in innovative measures but this is at a lower rate. Question 12 can also be used to address the third hypothesis of this research which reads:

Hc0: The level of research and development in small businesses run by a manager is lower than that of an entrepreneurial business

Hc1: The level of research and development in small businesses run by a manager is not lower than that of an entrepreneurial business

From the literature it was established that innovation was to a great extent determined by the amount of research and development a business invested in. From the data collected, the researcher found that the businesses that were run by managers had less innovation as compared to those run by the owners or shareholders. This shows that the level of research and development in small businesses run by a manager is lower than that of an entrepreneurial business.

The second hypothesis for this study reads:

Hb0: The decision making process is longer in small businesses run by a manager than entrepreneurial businesses.

Hb1: The decision making process is not longer in small businesses run by a manager than entrepreneurial businesses.

The information from the data that was collected in question 2 was used to test this hypothesis. Question 2 sort to find out the duties and that were carried out by the respondent within the business. It was found that the respondents who had stated that they were not the owners or shareholders of the business did not have the decision making capacity as part of the roles that they played in the business. While on the other hand, the owners and shareholders of the business had decision making powers in the business. This means that managers need to firstly check with the owners or share holders of the small business before they can implement any changes in the business and that could be costly to the survival or success of the business and the decision making process in longer and goes through a number of channels.

The last two hypotheses were used to test Smorfitts' extension to Burchs continuum as a measure to entrepreneurial activity. Hf0 tested if there clearly was a difference within the three groups (survivalists, lifestyle and high growth entrepreneurs) in the level in which they engaged in entrepreneurial activity and secondly the success levels in the three groups. Hg0 aimed at comparing the success of entrepreneurially led businesses and non-entrepreneurially led business, the entrepreneurial businesses being those in the high growth category while the non-entrepreneurial businesses are those in the survivalist category and lifestyle categories. The hypothesis reads:

Hd0: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs engage in less entrepreneurial activity.

Hd1: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs do not engage in less entrepreneurial activity.

The questions that were used to find out this information from the respondents were Question 12 and Question 14. Question 12 sought to find out how many products the respondent has successfully added to their product portfolio and question 14 asked how many business ventures the entrepreneur had engaged in and how businesses s/he owned.

From the data that was collected the researcher found that a significant number of the unsuccessful businesses had an increase in the business product portfolio and some of the owners owned more than two businesses.

It was found (in figure 5.11) that even the businesses that had a net profit before tax of less than 10%, making them survivalist entrepreneurs, took part in at least two of the three activities that were used to measure the levels of entrepreneurial activity in this study. Using this information to answer the first hypothesis, the null hypothesis proves true as the data shows that even the unsuccessful or survivalist businesses engaged in the same level of entrepreneurial activity. This means that the level of entrepreneurial activity that the respondents engaged in was in no way dependant in the category in which they were in. The conclusion would then be drawn that when compared to high growth entrepreneurs, lifestyle entrepreneurs and survivalist entrepreneurs do not engage in less entrepreneurial activity, but are likely to engage in the same amount of entrepreneurial activity or maybe even more than the high growth entrepreneurs.

The final hypothesis reads:

He0: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs are less likely to be successful.

He1: When compared to high growth entrepreneurs, lifestyle and survivalist entrepreneurs are not less likely to be successful.

ANOVA					
	Sum of Squares	Df	Mean Square	F	P-value
Between Groups	14384.571	2	7192.286	6.098	0.012
Within Groups	16511.429	14	1179.388		
Total	30896.000	16			

Table 5.4 Hypothesis testing

Using the P- Value that is found through Anova testing methods to test the second hypothesis of the study, the researcher found that the null hypothesis holds true. This essentially means that survivalist, lifestyle and high growth entrepreneurs do not have an equal chance of being successful. When using the P-Value to identify the factors that influence a given data set, if the p- value is lower than 0.05 then the null hypothesis falls away but if the p-value is above 0.05 then the null hypothesis holds true. In this case the p-value is 0.012 which means H_0 is true, when compared to high growth entrepreneurs, lifestyle entrepreneurs and survivalist entrepreneurs are less likely to be successful.

5.4 Summary

This chapter presented the primary data that was collected from the businesses that were randomly selected from the PCB database. The hypotheses were tested, the research objectives addressed and the research question was answered. In answering the research question, it was found that entrepreneurial businesses or businesses that engage in more entrepreneurial activity have a higher chance of surviving than those that engage in less entrepreneurial activity. The data also showed that evidently, businesses that engage in more strategic roles have a better chance of being successful than the other group that had a balance between managerial and strategic roles. Those engaging in mostly strategic roles are being more entrepreneurial and have higher success levels in their business. From testing the hypothesis it was found that the category in which the entrepreneur is grouped does not in any way affect the level of entrepreneurial activity in which business is

likely to enter into. While this may be the case, the category in which the entrepreneur has been grouped has an effect on the chances of the entrepreneur being successful. This means that high growth entrepreneurs have a higher chance of being successful compared to lifestyle and survivalist entrepreneurs.

In Chapter six, the discussion is presented conclusions will be drawn and recommendations will be made.

6. Discussion of significant findings, Conclusion and Recommendations

6.1 Introduction

This chapter compares the primary data that was collected and presented in the previous chapter to the secondary data that was presented earlier on in this study. The researcher then concludes this study by stating the limitations that were encountered while carrying out the study and finally the last section will recommend related issues for future research to enhance the body of knowledge.

6.2 Discussion of significant findings

The data that was presented in the previous chapter and used for analysis was taken only from 82.4% of the sample of respondents that who were owners or shareholders of their business. From the literature it was established that small business managers have control and security as primary objectives which are then usually followed by profitability. They may not particularly be interested in growth as an objective (Nieman and Nieuwenhuizen, 2009:9). Essentially, using figure 5.1 the 82.4% should be more entrepreneurial and engage in more entrepreneurial activities as compared to the 17.6% which was of no value to the study and was not analysed.

This study intended to focus on the businesses that were run by entrepreneurial managers rather than small business managers. Small business managers as defined in Smorfitt's extension of Burch's continuum, are in the lifestyle entrepreneur group and they are generally neither innovative nor growth oriented once they achieve their selected lifestyle level. Their main priority is maintaining their lifestyle rather than providing customer services. Because of this, resources are generally underutilised, management decision making is often irrational and these businesses may not deliver sufficient return on investment and consequently do not create economic wealth. On the other hand entrepreneurial managers are in the high growth group which means that growth is not only an objective within the business but a priority (Smorfitt, 2010:11; Block and Wagner, 2010:156). Growth as measured by this study was through an increase in staff numbers. According to the literature that was reviewed earlier in the research, it was found that growth is a difficult entity

to measure. There is also no agreed international growth measurement criterion for a business. Similarly, the impact of inflation would need to be considered on any increase in turnover and profit. The growth in the number of staff employed would tend to be a more accurate reflection of the growth of the business, as staff numbers would tend to exclude inflation as a factor that impacts on the measurement of growth (Nieman and Nieuwenhuizen, 2009:275; Smorfitt, 2009:101).

From the data collected for this study, the researcher found that 76.5% of the respondents were successful, which means they had an increase in the number of employees within their businesses, meaning they fall under the high growth group according to the definition supplied by (Smorfitt, 2009:10; Block and Wagner, 2010:156). However, further in the study it was found that some of the businesses that were deemed successful did not engage in as many entrepreneurial activities. Of the 23.5% of unsuccessful businesses, the researcher found that some of the respondents were engaging in activities that would warrant them to be considered high growth entrepreneurs; such activities include owning multiple businesses, which would make them serial entrepreneurs and therefore more entrepreneurial when placed on the continuum. Individuals who are entrepreneurial usually abhor routine, are restless and are drawn to new ventures and quests. The opposite of such an individual would be one who flees from any activity that is not in the regular and is stuck in structural inertia (Burch, 1986:16).

One of the objectives of the study was to find out the levels of entrepreneurial activity in these successful businesses and compare this to the level of entrepreneurial activity in the unsuccessful businesses as defined in this study. To do this a number of variables were analysed, such as the increase in the product portfolio of the businesses, the number of businesses the entrepreneur is a shareholder in or has full ownership of and the innovative skills that the entrepreneur has employed within the businesses.

According to literature, the product portfolio of a business can be used to measure how entrepreneurial the business is. Entrepreneurial businesses are innovative and innovation explained by Schumpeter, (1934:329) is the most important characteristic

in entrepreneurial behaviour and can be described in five ways. First is through the introduction of new goods into a market, secondly is through the introduction of new methods of production within an organization or industry. 78% of the respondents added new products to their portfolios but of this 78%, 9% of the respondents were unsuccessful (according to the definition of success for this research). This shows that not only successful businesses engage in entrepreneurial activities.

Question 14 set out to measure the level of entrepreneurial activity using the number of businesses that the entrepreneur is currently in ownership of. This determined the level of entrepreneurial activity and differentiated the survivalist entrepreneur from the serial entrepreneur as defined by Burch (1986:14). There is a range of reasons why entrepreneurs choose to enter business ventures; from the literature that was reviewed it was found that in South Africa the entrepreneurial pool is made up of 58% opportunity and 42% necessity (Scarborough *et al.*, 2009:25). From the business owners that were deemed successful, 57% of the respondents had more than 2 businesses that they currently owned while the remaining 43% owned only one business. Of the 57% that can be assumed to be high growth entrepreneurs solely because they are serial entrepreneurs, not all of them were successful businesses. 13% of the serial entrepreneurs were defined as unsuccessful according to the definition of success in this study. A question that can be posed is how can unsuccessful businesses be high growth businesses as well?

One of the main determinants or factors that define a high growth entrepreneur is the net profit before tax. Smorfitt, (2010:8), argues that high growth entrepreneurs have a net profit of above 25%. Under normal circumstances, survivalist entrepreneurs will make less than 1% net profit, if at all. Lifestyle entrepreneurs will make a profit that is between 1% and 20%. High growth entrepreneurs make a net profit of more than 20%. From the data, the researcher was able to note that 25% of the businesses that were successful, success as defined by this study, were actually lifestyle and survivalist entrepreneurs, while the remaining 25 were high growth entrepreneurs

With reference to figure 5.4 which depicted the reasons for start-up, it was also interesting to note the reasons for either purchasing or starting up the business.

Mitchell (2004:179) found that the main reasons people act entrepreneurially and start-up companies were all related to personal development. Smorfitt (2010:10) groups these entrepreneurs and their reasons into three categories which are survivalist, lifestyle and high growth entrepreneurship. From the data collected the largest group of respondents (41%) gave the reasons for start-up to be closely related to lifestyle reasons as defined by Smorfitt (2010:10) such as a need for independence and to be their own boss which closely relates to literature which suggests that the reasons include survival, security and financial independence, to be free of stifling situations and to enable personal growth. He also found external approval, personal development, recognition, need for independence, and influence in the community and benefits and security were common to entrepreneurs. According to Fehse & Buhalis, (2009:394) and Zavatta, (2008:52), lifestyle entrepreneurs are comprised of salary or income replacement entrepreneurs, lifestyle entrepreneurs, small business manager / franchisees and copycat entrepreneurs. They are generally neither innovative nor growth oriented once they achieve their selected lifestyle level. Their main priority is maintaining their lifestyle rather than providing customer services. Consequently resources are generally underutilised, management decision making is often irrational and these businesses may not deliver sufficient return on investment and consequently do not create economic wealth

23.5% of the respondents said the reasons for starting-up their business was opportunity related. The entrepreneurs can easily be associated with high growth entrepreneurs as their drive behind starting up the business was because they saw a gap in the market and they took it. Schumpeter, 1934; Kirzner, 1973; Casson, 1982 state that an opportunity can avail itself through finding a creative link of resources to produce a valuable product that fills the need, want or interest of the consumer. Opportunities may start off unrefined and farfetched, not clearly addressing the market need or look like an under employment of valuable resources but may become more developed through time (Kirzner, 2007:146). These opportunities may be in the form of inventions which no market as yet, ideas for the use of new basic technologies or ideas for products and services. Since customers are not always aware of their problems, needs or wants and cannot always express them well, they

may be able to recognize the value to them in something new when they are presented with it and have its operation and benefits explained. This describes value seeking from potential customers.

According to (Smorfitt, 2010:11; Block and Wagner, 2010:156) survivalist entrepreneurs have access to low complexity low profit opportunities and seldom employ external human capital. The survivalist entrepreneurs lack financial resources, and do not have the depth of entrepreneurial skills to employ external human capital. Furthermore, the survivalists are themselves often poorly skilled at a technical level, poorly educated if at all, lack business experience, do not have sufficient capital to hire skilled workers and consequently they are extremely limited in the opportunities they can take advantage of. However the data that was collected for this study found that some of the unsuccessful entrepreneurs, who started up their businesses also engage in entrepreneurial activities such as increasing their product portfolios which shows a level of innovation and also being shareholders of other businesses as well, which would be serial entrepreneurship which is a characteristic of a high growth entrepreneur.

6.3 Conclusions

The aim of this research was to find out the impact of entrepreneurial activity on small business success in Pietermaritzburg, South Africa. The base economic theory for this study was the Theory of the Firm, where after the entrepreneurial continuum that was firstly presented by Burch (1986), and then by Smorfitt (2010) as an extension of the continuum to fit the present day business world were used as a guide in the analysis of the primary data.

Burch (1986) suggested in his article, "Profiling the entrepreneur", that nearly everyone is entrepreneurial and uses a tendency calibrator to differentiate the levels of entrepreneurial activity that these individuals are engaging in. He presented a continuum that had a labourer as the least entrepreneurial and an inventpreneur as the most entrepreneurial and used seven different tendencies to describe the differences in the individuals positioned on the continuum. He said the level of venture seeking, opportunity seeking, innovativeness, wealth seeking, risk taking, intuitiveness and independence seeking will increase as the calibrator moves from

the labourer to the inventpreneur showing an increase in the level of entrepreneurial activity.

Smorfitt (2010) extended this theory in a paper entitled “Burch’s continuum of entrepreneurship - is it time for an update to better understand entrepreneurial motivation?” Smorfitt (2010) suggested that in the context of the current body of entrepreneurial knowledge it was not enough that the determinants of entrepreneurial activity only be limited to seven and added additional criteria that could further assist in determining the level of entrepreneurial activity. Smorfitt (2010) also divided the entrepreneurs on the continuum into three groups that explained the level of entrepreneurial activities they were engaging in and also the motivation behind their entrepreneurial behaviour. These groups were the survivalist entrepreneur, the lifestyle entrepreneur and the high growth entrepreneur.

This study used the above mentioned information to test if in fact these factors that were expressed firstly by Burch (1986) then later expounded on by Smorfitt (2010) can be used to measure the impact of entrepreneurial activity on business success. As this study only wanted to use successful businesses in the quest to finding out how entrepreneurial they were and how it was impacting their businesses, success was determined using growth through an increase in employee numbers. The research question could then be posed: Are entrepreneurial businesses more likely to succeed than non-entrepreneurial enterprises?

From the data that was collected the researcher found that even though different individuals have been allocated into different groups, this does not affect the level of entrepreneurial activity they engage in. On the question of success, the information presented shows that businesses that engage in more entrepreneurial activities have a far greater chance of being successful than those businesses that engage in minimal entrepreneurial activity.

6.4 Limitations of the study

The PCB membership cannot be claimed to be representative of all businesses in Pietermaritzburg, nor of all businesses in South Africa, which therefore excludes the findings of this study from being used for extrapolation to the greater business population of Pietermaritzburg or South Africa.

Using email to distribute the questionnaire does not allow the researcher to explain to the respondent the meaning of the questions and the respondent cannot get clarity so as to better respond to the question, in the event clarity is required. This could lead to incorrect information being provided to the researcher.

The structure of the question did not allow for normal distribution tests such as the Kolmogorov Smirnov test and the Mann Whitney test to be carried out on the data as the variables in the questions would lead to inconclusive results.

The statistics collected for this research were unreliable as the number of respondents, who were a total of 17, were too few, which means that the sample size was not representative of the whole population.

The results of cronbach's alpha reliability test show negative external validity for this research, which means that the findings that were made cannot be generalized for the greater population of small businesses in Pietermaritzburg.

6.5 Recommendations for further study

Another way of conveniently reaching respondents needs to be found so as to allow for a bigger population for data collection purposes.

Further study should be done on Smorfitt's (2010) extension of Burch's (1986) continuum, to further clarify the classification of the three groups of entrepreneurs (survivalist, lifestyle and high growth) as some of the findings of this study are not in line with content of his study. This could be affected though by the small sample size that was used in this research study.

With the constant change in technologies and business models, it would be important to find out if some of the base theories that entrepreneurship is built on can still have an impact on the running of entrepreneurial businesses.

Again, because of the changes in the world in general and the options that people are taking such as home based businesses and virtual shops, do the same factors of business success apply to the futuristic business world?

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Appendices: Appendix 1- Ethical clearance



Research Office, Govan Mbeki Centre
Westville Campus
Private Bag x54001
DURBAN, 4000
Tel No: +27 31 260 3587
Fax No: +27 31 260 4609
mohunp@ukzn.ac.za

1 August 2011

Miss CN Mpfu (206502355)
School of Management
Faculty of Management Studies
Pietermaritzburg Campus

Dear Miss Mpfu

PROTOCOL REFERENCE NUMBER: HSS/0655/011M

PROJECT TITLE: The Role of Entrepreneurship in Small Business Success in Pietermaritzburg, South Africa

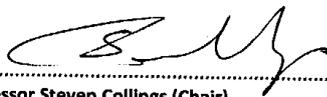
In response to your application dated 26 July 2011, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



.....
Professor Steven Collings (Chair)
HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE

cc. Supervisor: Dr WR Smorfitt
cc. Prof D Vigar-Ellis, Post-Graduate Centre, School of Management, PMB Campus



Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

Appendix 2: Voluntary Questionnaire sent to companies

University of KwaZulu-Natal

School of Management, Pietermaritzburg

Informed Consent Document

I, Chipso Nkosilomusa Mpofo am currently registered for studies leading to the M. Com Degree. One of the requirements to be met for the awarding of the degree is that I should undertake an approved research project leading to the submission of a dissertation. The approved topic which I have chosen is:

“The role of entrepreneurship in small business success in Pietermaritzburg, South Africa”.

Please note that this investigation is being conducted in my personal capacity. Should you need to contact me regarding any aspect of this research, you can do so either by e-mail on chpmpofu@yahoo.co.uk or telephonically on 0727392037.

My academic supervisor is Dr William Robert Smorfitt, based in the School of Management on the Pietermaritzburg campus of the University of KwaZulu-Natal. He can be contacted by e-mail at rob@smorfitt.co.za or telephonically at 082 499 7400.

Information gathered in this study will include data retrieved from the questionnaire that I request you to complete. Please note that only summary data will be included in the report and that your name will not be included. Your anonymity and confidentiality is of utmost importance and will be maintained throughout the study.

Your participation in completing the questionnaire is completely voluntary. You also have the right to withdraw at any time during the study.

I appreciate the time and effort it will take you to participate in this study. I would highly appreciate your participation, as it would help me e to complete this research project.

This page can be retained by the respondent

Please turn over

This page must accompany the returned questionnaire

Please complete the section below:

I (Full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of Participant.....

Date.....

University of KwaZulu-Natal
School of Management, Pietermaritzburg
Permission Document

I, Chipso Nkosilomusa Mpofo, am currently registered for studies leading to M. Com Degree. One of the requirements to be met for the awarding of the degree is that I should undertake an approved research project leading to the submission of a dissertation. The approved topic which I have chosen is:

“An exploratory study into the role of entrepreneurship in small business success in Pietermaritzburg, South Africa ”.

Please note that this investigation is being conducted in my personal capacity. Should you need to contact me regarding any aspect of this research, you can do so either by e-mail on chpmpofu@yahoo.co.uk or telephonically on 072 739 2037.

My academic supervisor is Dr William Robert Smorfitt, based in the School of Management on the Pietermaritzburg campus of the University of KwaZulu-Natal. He can be contacted by e-mail at rob@smorfitt.co.za or telephonically at 082 499 7400.

Information gathered in this study will include data retrieved from the questionnaire that I request your employees to complete. Please note that only summary data will be included in the report and that the names of your employees will not be included. Your anonymity and confidentiality and that of your employees, is of utmost importance and will be maintained throughout the study.

Your company's participation in this study is completely voluntary. You and the employees also have the right to withdraw at any time during the study.

I appreciate the time and effort it will take you to participate in this study. I would highly appreciate your participation, as it would help me to complete this research project.

This page can be retained by the respondent

Please turn over

Please complete the section below:

I _____ (Full name) hereby confirm that I understand the contents of this document and the nature of the research project, and that I am duly authorized by _____ (insert name of organisation) to consent to participation in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

The company name may / may not (please indicate which is applicable) be used in the research report.

Signature: _____

Position in Company: _____

Date: _____

Please send your response to chpmpofu@yahoo.co.uk

1. Are you the owner or a shareholder of this business?

Owner	<input type="checkbox"/>	Manager	<input type="checkbox"/>
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2. From the lists below, please tick the activities that would best explain the role you play in this business.

a) Formulation of the goals and objectives of the business.	<input type="checkbox"/>
b) Seeing to the cash flow, sales and budgets of the business.	<input type="checkbox"/>
c) Dealing with the values and principles that the business stands for.	<input type="checkbox"/>
d) Hiring and firing of staff.	<input type="checkbox"/>
e) Decision making.	<input type="checkbox"/>
f) Ensuring that business is meeting its demand.	<input type="checkbox"/>
g) Come up with ways of marketing the product offering of the business.	<input type="checkbox"/>
h) Formulating steps to see the business develop and grow.	<input type="checkbox"/>
i) Finding capital to finance any new ventures the business wants to enter.	<input type="checkbox"/>
j) Ensuring that business is meeting its demand.	<input type="checkbox"/>

3. Did you start this business or purchase the business

Purchased	<input type="checkbox"/>	Started from scratch	<input type="checkbox"/>
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4. If you are the owner of the business, what did you do before you purchased or started this business?

5. If the business was a start-up, what were your reasons for starting it?

6. In a case where this business was purchased, is it a franchise?

YES		NO	
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7. In a few words, please briefly explain what your business does.

8. How would you define success in your business from your own perspective?

9. According to your definition, where would you rank your business currently

Unsuccessful (1)	Fair (2)	Good (3)	Above average (4)	Successful (5)
The business has failed, the goals set have not been achieved and we are running at a loss	The business still working at attaining most of the goals and generally the performance of the business is average.	The performance of the business is generally where we anticipated it to be.	Most of the goals have been attained and the business is performing well	The business has exceeded most of its goals; it has grown and is performing far above the expectation.

10. How many employees do you currently have?

11. How many employees did you start or buy the business with?

12. How many new products and/or services have you added during the period you have owned this business?

13. Have you started or bought other businesses previous to this business?

YES		NO	
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14. How many businesses do you currently own?

15. Is your net profit before tax

< 5%	6-10%	11-15%	16-20%	+20%

16. Have you ever invented a product that has been successfully marketed?

YES		NO	

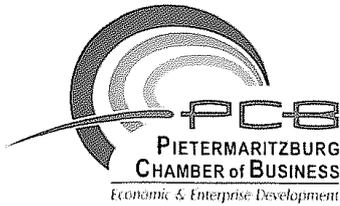
17. Have you previously invested money in other people's businesses?

YES		NO	

18. Are you currently a shareholder in other small businesses besides this one?

YES		NO	

Appendix 3: PCB Permission letter



CHAMBER HOUSE, ROYAL SHOWGROUNDS, PIETERMARITZBURG
P.O. BOX 11734, DORPSPRUIT, 3206
TEL: (033) 345 2747
FAX: (033) 394 4151
E-MAIL: pcb@pcb.org.za
WEB: www.pcb.org.za

24 May 2011

Dr W.R. Smorfitt
Innoeur
P O Box 1412
PIETERMARITZBURG
3200

Dear Dr Smorfitt

RE: PERMISSION TO CONDUCT A SURVEY

Please be advised that I am happy to assist your masters students by offering to send out a survey to the PCB members on their behalf. Should I be able to assist in any other way, please feel free to contact me.

Kind regards

Melanie Veness (Mrs)
Chief Executive Officer

*Registered Nonprofit Organisation: Number 027-519-NPO
Association Incorporated under Section 21: Number 2002/026810/08*

*Directors: MJ Havinga (Chairperson), K Beekrum, R Bridglall (Mrs), MP Dlamini, SM Dlamini,
MH Ghela, S Kheswa, S Kirby, BV Mshengu, LJ Quayle, R Seeparsad, Z Sokhela (Mrs)*



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