

**THE EXTENT OF ENTREPRENEURSHIP, BUSINESS KNOWLEDGE AND
SKILLS WITHIN MICRO AND SMALL BUSINESSES ON THE MID-SOUTH
COAST OF KZN.**

BY

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**Submitted in partial fulfilment of the requirements for the degree of Masters in
Business Administration**

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DECLARATION

This work is has nor been previously accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

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ABSTRACT

Entrepreneurship, business knowledge and skills within micro and small businesses play an important part in the economies of countries across the globe by being the drivers of economic growth, as well as, creating employment. The role of micro and small businesses is matching that of big business and in some countries contributes up to ninety per cent of revenue. The difficulties from supply and demand perspectives are receiving increasing attention from government and academic institutions and researchers, and the purpose of this study is to establish to what degree the presence of entrepreneurship is present in the region concerned, as well as, investigating the extent of knowledge and skills within the sample of micro and small business owners. The study uses descriptive statistics drawn from a questionnaire survey, to achieve its purpose. One hundred and seventy micro and small businesses were drawn using a stratified random sampling method. Businesses surveyed were grouped into the following categories: services, manufacturing, hardware, clothing and food. Entrepreneurial traits were found present in the micro and small business owners, however certain behavioural aspects argued against this presence. In terms of knowledge and skills, the extent was found to be limited in terms of both academic qualifications, and business acumen. Growth rates of the businesses in the survey seem to be low and the presence of real entrepreneurship would need further investigation.

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CHAPTER 1

INTRODUCTION AND OVERVIEW OF THE STUDY

1.1 Introduction

This chapter serves to introduce and explain the research topic and the rationale behind this research. The approach and methodology used are introduced and the benefits that may be gained. A summary of the chapters in this study is given and definitions of micro and small business are discussed to establish clarity as to their meaning as well as serve to introduce the boundaries of the research. The context within which the research took place is explained. The roles and importance of small and micro businesses in terms of the economy is highlighted as a backdrop to why the extent of entrepreneurship and the extent of knowledge of the owners of these businesses are an important topic for research, the rationale being that entrepreneurship, business knowledge and skills are what creates and enables small and micro businesses to survive and provide employment in a world where large businesses are showing negative employment rates.

1.2 Motivation and rationale for the study

The mid-south Coastal region of KZN consists of a mixture of rural and urban areas and micro and small businesses rely to a degree on holiday makers for some of their revenue. The lack of support in terms of skills development and knowledge services by providers forms part of the motivation for the study. A further motivation for this study is that to date no previous research on the topic was found for the region concerned.

The main motivators for this study may be summarized as follows:

- The lack of training and development support systems in the region under survey and do the micro and small businesses need support systems?

- What opportunities are there for skills and education providers to contribute to the micro and small business managers in the area surveyed?
- Lack of previous research on this topic in the region.
- The lack of growth of many micro and small businesses raises the question of the extent of knowledge and skills and entrepreneurship existent in the area.

There exists a stigmatism which may be termed laid-back or easy going amongst businesses on the Eastern coast of KZN and this study attempts to find out the extent of knowledge that is prevalent in the mid South Coastal area. Common belief is that business people do not have to work as hard as those in more competitive areas based on the fact that peak sales during peak holiday times will ensure survival throughout the year. Some insight into the levels of knowledge and entrepreneurship may support or dispel these perceptions.

1.3 Research Question

This study was initiated to determine the extent to which entrepreneurship, business knowledge and skills levels exist amongst small business entrepreneurs in the mid-South Coast region of KZN.

Many small business entrepreneurs fail in their business ventures and often the reasons for failure do not stem from the type of product or market within which the business exists but rather the manner in which the business is managed. It needs to be understood that small businesses are not just “little big businesses”. They exist in a dynamic environment which impacts on their operations and give them their own particular characteristics based on the limited resources they have and the demands of their markets.

The mid-South Coast of KZN is not an industrialised area and is populated with many micro and small businesses. This study focuses on these businesses and as a point of departure it is necessary to form at least a broad definition of what is understood by

micro and small business in the South African context. Seasonality in terms of income and cash flows play an important role in the way some micro and small businesses are managed in the area under survey. More specifically, there exists a high reliance on the influx of holiday makers to the area which results in peaks in income for some businesses during December and over Easter.

1.4 Approach and methodology

The main objectives of this study are to:

- To determine the extent of entrepreneurship existing along the mid-south coast of KZN;
- To determine the difference between recommended and existing business knowledge and skills; and
- To establish the need by type and extent of business skills and knowledge required by business managers.

Many small businesses exist within this area and the level of business knowledge and skills appears to be lacking. There may be an opportunity for skills providers as well as academic institutions to increase their contribution to small business growth, in this area in the longer term, by establishing developmental opportunities for small business entrepreneurs.

The sampling approach in this study uses a proportionate stratified random sample of small business types according to service, manufacturing, food, clothing, services, and hardware categories. A questionnaire was drafted to determine the data required for the survey. The first part of the questionnaire was designed to extract the personal and behavioural characteristics of entrepreneurs.

The second part of the questionnaire was designed to establish the extent and need for business knowledge and skills. These owners-managers were approached with an explanation of the rationale behind the research and asked if they were prepared to assist in answering the questions in the survey.

Answering the questionnaire was voluntary. The responses were analysed to establish relationships and then compared to findings of previous research. Recommendations for future study in this area are made with conclusions in chapter 6.

Much research has been done regarding the reasons why small businesses fail as well as determining those failure rates. One of the findings is the recurrence of lack of required management business knowledge and skills in certain management disciplines, as well as a short supply of entrepreneurs, across the globe.

1.5 Benefits of the study

The benefits that may be derived from the study are as follows:

- A foundation for further research on micro and small businesses in the region.
- An increase in support systems focused on skills and knowledge provision based on opportunities seen by providers.
- Customised provision of skills packages.
- An increased focus on micro and small businesses development by local councils.

1.6 Limitations to the study

This study is restricted to determining the extent of knowledge and skills and entrepreneurship and does not include the extent of business failures as a function of knowledge and skills. Business performance as a function of knowledge and skills is not investigated nor as a function of entrepreneurial extent.

1.7 Summary of chapters in the study

In Chapter 2 the literature review explains the concepts and meanings of entrepreneurship by various researchers and specifically reviews the characteristics and personalities inherent in entrepreneurs. Problems common to entrepreneurs are discussed and entrepreneurial development is reviewed. Reasons for people starting businesses is discussed as well as opportunity recognition as a trait of entrepreneurs. Problems experienced by micro and small business entrepreneurs is explored.

Chapter 3 reviews the aspect of knowledge and skills and defines these concepts. Business skills and knowledge and the influence of formal education on entrepreneurial behaviour is reviewed. This chapter covers topics such as micro and small business training and the problems experienced by both providers and managers in meeting the gaps in skills and knowledge.

In Chapter 4 the research methodology is explained in terms of the survey tool and design of the sample selected. An explanation of the analysis of data is included and an approach to the survey is explained. The results of the survey are presented and explained in Chapter 5 and each aspect is dealt with in terms of observations and interpretations by making use of descriptive statistics. Chapter 6 closes this study with overall conclusions in terms of answering the research problem and makes recommendations for further research as well as highlighting the limitations of this study.

1.8 Definition of micro and small business

Sources of literature offer a varied range of definitions of micro and small business and are determined both by the characteristics of economic sectors and geographical areas. Martins (1992) conducted a study to define small and micro businesses in South

Africa and mentions in his preface that at that stage there existed little or no agreement on what constitutes small business and its definition thereof.

The study undertaken by Martins (1992) included many inputs from persons and organizations and concluded that both qualitative and quantitative criteria were required in the definition which needed to consider the Third World influences in South Africa. The qualitative criteria refer to any one of independent ownership, management and control whereby the business must be privately and independently owned and managed. The word privately refers to a sole proprietorship, partnership, closed corporation or private company.

The quantitative criteria referred to for a small business means any two of these criteria namely total turnover less than R 1,5 million, total asset value less than R1 million and fewer than thirty employees, must apply.

According to Martins (1992) the National Manpower Commission (1991) notes the virtual impossibility of formulating a general definition of a micro business in all industrial sectors, however proposes that a micro business is an independent, legal and economic unit apart from being a subsidiary of another business and is managed and controlled by a natural person who is also the owner of the business and employs no more than five full-time employees. Furthermore a micro business has an annual turnover of not more than R 250 000.

The Bolton Committee (1971) state that small firms meet the following criteria:

- They have a relatively small share of their marketplace
- They are managed by owners or part-owners in a personalized way
- They are independent, in the sense of not forming part of a larger enterprise

The purpose of defining small and micro business relates to the measurement of the small business sector thus allowing for comparisons, assessments and forecasts by the

Receiver of Revenue, financial institutions, commerce and industry small businesses and the Central Statistics Service. Finally, the definition forms a basis for the sampling survey with regard to this research paper.

It becomes clear that there is no unified definition of micro and small business however certain constraints regarding size, turnover and the nature of ownership do form the general parameters of what constitutes a micro or small business. In this study at least one or more of the abovementioned criteria were used to select which businesses would form part of the sample.

1.9 The role of micro and small businesses in South Africa

Small, medium and micro-enterprise (SMME) development was identified by the new government as a priority in creating jobs to solve the high unemployment rate in SA. Presently South Africa's unemployment figure stands at 32 per cent. In other words four point six million people out of a possible economic active population of 14.32 million are unemployed (Republic of South Africa, 1996a). The growth of the labour force in South Africa is about 2.8% per annum. An average annual real economic growth rate of approximately 6% per annum will be required to keep pace with labour force growth. A growth rate of 3.2 % is expected for the year 2000 (Sake Beeld, 1999) which is well below the required rate and the government recognises the importance of developing a strong small medium and micro enterprise sector.

The South African government realizes that small and micro enterprises (SMEs) are the logical "kick-start" mechanism to job creation and future prosperity in the country, therefore the attitude of government has changed significantly towards allowing new opportunities for entrepreneurs. The main concern is that the majority of small businesses do not remain competitive for long enough to pass on the benefits to their respective communities and the economy in general (Barker, 1999).

South Africa has a relatively young population with 47,4%, of the population being younger than 19 years of age. This indicates that in the years to follow, the South African economy will have to create more new jobs to allow the absorption of its population into the formal economy. The opposite has however taken place. The South African economy is shedding jobs continuously, to the extent of 420 000 formal jobs during the period 1990 – 1996 (Barker, 1999). Furthermore, between March and September 2000 an additional 63 635 jobs were lost in formal economy (Anon, 2002).

Taking the Eastern Cape Province as an example, the formal sector employment decreased from 37,4% in 1996 to 34% in 2000, while the informal sector activity increased from 4,9% in 1996 to 9,9% in 2000. Furthermore the unemployment rate increased from 48 % in 1996 to 52,9 % in 2000. This is similar for all the other eight provinces in the country. To take the analysis to a more micro level, the Nelson Mandela Metropolitan Municipality can be considered. This metropolitan area is characterized by a strong automotive cluster with a large export oriented segment. Despite this, the unemployment rate for this metropolitan area still increased by 19,02% between 1996 and 2000 and the informal sector activity increased with a staggering 129,66 % (Lloyd, 2001).

With this as background to the regional/provincial dimension of the South African economy, it becomes clear why more attention is given to a diverse array of alternatives to combat unemployment, poverty and low economic activity. Lloyd (2001) further claims that the larger scale industries are not the answer to job retention and employment, however, the SME sector has greater potential for job creation and job retention.

1.10 The importance of the SME sector

In most cases the small business sector is subject to the same economic and management constraints as larger corporations. However, the small business

entrepreneur is normally considered a “Jack of all trades”, as far as the management functions are concerned. There is furthermore little doubt as to the importance of the SME sector for the development aspirations of South Africa, to address the serious problems of unemployment, income inequality and low economic growth (SACOB, 1999 and Ntsika, 2000). The small business sector in any economy must furthermore be seen as the ultimate manifestation of a free-market system in a country. It is generally acknowledged that small business has a vast array of important economic and social characteristics linked to it. These include:

- Opportunities, inventions and innovations due to the personal initiatives of the entrepreneur.
- Communities - more equal distribution of economic activities and opportunities in the economy.

SMEs and SMMEs are by far the largest number of formal institutions and comprise approximately 30% of all formal institutions. The micro enterprises form a staggering 67,41% of all formal private sector businesses in South Africa, while large enterprises only comprise 2,5% . There is a continuous rise in the number of small businesses being registered. During 1999 some 78 730 new close corporations were registered, compared to the 28 008 of 1990 (Anon, 2002).

In comparing the small business sector (all encompassing SMME sector) to “big business” in terms of economic criteria, it becomes clear that small business is a major role player in the South African economy with respect to employment, the number of private sector entities created and the contribution to GDP.

From a salary and wage contribution a 43/57% split exists between small business and large business enterprises regarding their respective contributions to salaries and wages in the economy. Small business represents 97,5% of business concerns in South

Africa and contributes 35% of the country's GDP whilst employing 55% of the labour force (SACOB, 1999).

1.11 Conclusion

The role and importance of small and micro businesses becomes evident from the impact they have on job creation and GDP contribution. Throughout the world the amount of support for micro and small businesses appears to be limited despite the development of national strategies and papers that have good intentions for investment in this sector of business. It is important for the economy of this country to provide support for the sustainability of small and micro businesses in terms of entrepreneurial development programmes and skills and knowledge promotion.

Whilst easy to state that government should be more proactive in entrepreneurial support and development, the number of constraints in developing entrepreneurial behaviours and skills, are complex and numerous and this view is supported by authors such as Ligthelm & Cant (2002), Sexton & Kasarda (1992) and Peña (2002).

In the following chapters two and three, a more definitive view is taken of the terms entrepreneurship and business knowledge and skills.

CHAPTER 2

ENTREPRENEURSHIP

2.1 Introduction

This chapter establishes some of the characteristics that describe entrepreneurs and dispels the myths that often distort perceptions of what entrepreneurs are believed to be. The challenge of business startups is discussed as well as opportunity recognition as a function of entrepreneurship. Drawbacks of starting a business to the entrepreneur are discussed and the different reasons people start businesses are highlighted. The role of previous startups in relation to entrepreneurship is mentioned and reasons why people start businesses. The complexities and barriers to entrepreneurial development are discussed as background to the study, with the aim of highlighting the challenges facing institutions and training providers.

2.2 Definitions of entrepreneurship

2.2.1 Background

Van Aardt & Van Aardt (1997, citing Porter 1990) note that entrepreneurship is at the heart of economic growth and socio-economic development. In South Africa as in most developing countries, there is an extensive shortage of entrepreneurs. Van Aardt & Van Aardt (1997) claim that there are too few people with entrepreneurial skills thus contributing to a poorly performing economy. In general, South Africans are not socialized or educated to become entrepreneurs but rather to enter the workplace as employees. In becoming employees, they become consumers of existing jobs as opposed to creators of new jobs. Among those people who do become entrepreneurs very few succeed according to Pahn (1993). This fact strengthens the belief among many people that it is preferable to become an employee rather than an entrepreneur.

2.2.2 Definitions

Entrepreneurship according to Hill (2001:177) is about change and the roles people play to bring it about. This involves innovation and doing new things which improve the circumstances of an enterprise. Entrepreneurship is best understood as a process where the entrepreneur persistently searches for opportunities to exploit available resources through venture start-ups or established enterprises. Entrepreneurship according to Birley & Muzyka (2000) is a cohesive pattern of managerial behaviour applied to startup situations as well as established businesses. Van Aardt & Van Aardt (1997) define entrepreneurship as the act of initiating, creating, building and expanding an enterprise or organization.

The extent of entrepreneurship in this study will be determined by means of the existence of traits, skills and behavioural aspects of micro and small business managers.

2.3 Characteristics and personalities of entrepreneurs

The task of developing a unified definition for entrepreneurship is not straightforward and the literature on the subject reveals reasons for the diversity of interpretations of entrepreneurship. It is important to develop a general understanding of what constitutes an entrepreneur as this forms the basis of the first part of the research question in this paper.

According to Van Aardt & Van Aardt (1997:10) the following myths exist around entrepreneurs:

- They work harder and longer than managers in big companies
- Money is the most common start-up ingredient
- Entrepreneurs should be young and energetic
- Entrepreneurs are gamblers

Hills and La Forge (1992:93) cite the entrepreneurial orientation having six dimensions as follows:

- The propensity to take risks
- A tendency to engage in strategic planning activities
- An ability to identify customer needs and wants
- A level of innovation
- The ability to persevere in making your vision of the business a reality; and
- The ability to identify new opportunities

Some of the preceding dimensions were used to design the survey questionnaire and have been developed to establish areas of need and or weaknesses. Amit, Glosten and Muller (1993) state that “entrepreneurs are individuals who innovate, identify and create business opportunities, assemble and coordinate new combinations of resources (i.e. production factors), so as to extract the most profits from their innovations in an uncertain environment.”

Further attributes linked to successful entrepreneurship are:

A desire to solve problems and attaining satisfaction from goal achievement they have set and prioritized, the ability to take moderate risks after assessing alternatives and a need for feedback as a measure of their success (McClelland, 1987:2).

Controlled boldness – taking care to research problems and consider several alternative solutions before reaching a decision (Mintzberg & Waters, 1982). Tolerance for ambiguity meaning the ability to perceive situations lacking complete and definitive information, in a positive and challenging way (McClelland, 1987). According to Schumpeter (1951) innovation is the key for successful entrepreneurship. The high need for independence and autonomy according to Ibrahim & Ellis (1990) is a high driver for people leaving executive careers and starting their own business.

2.3.1 What makes an entrepreneur?

Stolze (1999:47) has an interesting approach to explaining entrepreneurship and sees it as complex and being a function of the environment, family and personality traits. If asked 20 years ago what an entrepreneur would appear to be the answer would probably have been: a male, only child aged between 35 to 45 years and possessing a bachelor's or master's degree in engineering, whose father owns a hardware store and delivered newspapers or sold lemonade as a youngster. Stolze (1999:48) believes some entrepreneurial qualities can be learnt and lists them as follows:

- Motivation to achieve – doers, make things happen, competitive, a will to win.
- The habit of hard work – it requires hard work to start a business.
- Nonconformity – independent, don't easily work for others.
- Strong leadership- required to create followers.
- Street smart – shrewd or sharp, have intuitive good judgment.

2.3.2 Qualities not relevant in entrepreneurs

Compulsive gambling, entrepreneurs prefer using skills and conscious decisions. High risk-taking, entrepreneurs prefer planning and calculating outcomes Zimmerer & Scarborough (2002). The authors further cite irrelevant factors being:

- Age
- Sex
- Marital status
- Educational level
- Intelligence (within reason)

Zimmerer & Scarborough (2002) define an entrepreneur as someone who starts a business in the face of risk and uncertainty for the purpose of achieving profit and

growth by identifying opportunities and assembling the necessary resources to capitalise on them. Entrepreneurs have distinctive characteristics and traits. This survey's questions were designed to determine the presence or absence of these characteristics within micro and small business managers.

The description of a small business in this study involves one or two manager entities where decisions are made solely by such management. Business decisions include those regarding finance, human resources, marketing, and operations.

2.3.3 The controversial role of personality traits in entrepreneurial psychology

In the middle of the last century, personality traits became both fashionable and popular as an explanation of both entrepreneurial behaviours and intentions. The reasons for this are many, but perhaps overriding was the feeling that this branch of theory simply 'made sense'. The influence of intuitive appeal should not be underestimated, and this had the powerful effect of focusing research interest in this area. The argument went something as follows – entrepreneurial behaviours involve a high level of risk, creative solutions are often required, and a certain level of ambition is needed. These descriptions of the demands related to the behaviours all sounded like personality traits, the corollary here being that a certain kind of person would be attracted to these behaviours, whereas other people would choose safer more conformist avenues of employment (Llewellyn & Wilson, 2003).

What is entrepreneurship and how is it defined? In short entrepreneurship is a construct that is seen by some people to relate to a set of personal characteristics (especially risk taking, creativity and ambition), a set of behaviours by others (e.g. starting a business), and a combination of both of these possibilities by yet another group. Contemporary theorists now agree that there are five fundamental personality dimensions, often referred to as the 'big five' or the 'five-factor model' (Costa & McCrae, 1992).

The five broad dimensions of personality according to Costa & McCrae (1992) are:

- **Extroversion** – People high in extroversion are outgoing, gregarious, optimistic, and sociable.
 - **Neuroticism** – Highly neurotic individuals are prone to mood swings, have little emotional stability, and are anxious and prone to depression.
 - **Agreeableness** – Highly agreeable people are easy to get on with, and may be widely liked.
 - **Conscientiousness** – Conscientious individuals prefer to conform to rules and regulations, and are reliable and hard working.
 - **Openness to experience** – People who are highly open to experiences tend to be liberal and approach problems in new and innovative ways.
- (Costa & McCrae, 1992).

Despite these limitations there is some evidence to suggest a link between entrepreneurship and low neuroticism, conscientiousness and agreeableness, and high openness to experience and extraversion (Brandstätter, 1997). There also appears to be potentially important links between entrepreneurship and achievement needs, locus of control and risk taking (Johnson, 2001, Stewart & Roth, 2001). In addition some research suggests that *successful* entrepreneurs may be higher in conscientiousness than unsuccessful ones (Schmitt-Rodermund, 2001).

Entrepreneurship experts insist that personality traits are important factors in determining entrepreneurial success according to Riyanti (2004). Theoretical analysis of the traits of entrepreneurs conducted by Sukardi (1991) identifies nine excellent traits in entrepreneurs: namely instrumental, achievement, flexibility in friendship, working hard, self-confident, risk taking, self-controlled, innovative, and autonomous. In his dissertation, Sukardi (1991) showed that planned interventions could promote these major traits. In a planned intervention, three of nine major traits were

significantly enhanced in participants through a training program. These were achievement orientation, risk-taking, and self-control.

Innovative behaviour is cited by Riyanti (2004) as a contributor to business success. Ultimately, this has to be stimulated by parents in their children or through the school curriculum. Finally, the involvement in managing a business can be the origin of the emergence of new entrepreneurs. Thus, the implementation of a balanced entrepreneurship education with both theory and practice could contribute to the emergence of new entrepreneurs (Riyanti, 2004).

Age variation at the start of a business seems to be not related to business success. According to Staw (1991) at the start of any business, age is not a decisive factor, but with enough training and preparation, the earlier someone starts business the better. Staw (1991) also notes that age is related to business success if it includes both chronological age and entrepreneurial age. This means that the older an entrepreneur is, the more experiences in business he has. Age thus implies extensive experience.

Staw (1991) asserts that experience is the best predictor of business success, especially when the new business is related to earlier business experiences. Entrepreneurs with vast experiences in managing business are more capable of finding ways to open new business compared to employees with different career pathways.

Age significantly influences business achievement. In this case, age must not be understood only as chronological in nature, but as entrepreneurial age i.e. the length of time, someone manages his or her business. The longer someone is involved in a business, the richer his or her accumulated experiences are, thereby making him or her more capable of managing a business successfully (Riyanti, 2004).

Although Zimmerer & Scarborough (1998) point out that most of entrepreneurs in the United States start business during their 30s and 40s, many researchers found that there is no limit of age for their entrepreneurial aspirations.

2.3.4 Time use and independence or autonomy

The want of independence predicts entry into self-employment (Taylor 1996) and it appears to be more satisfying to be self-employed than to work as an employee for an organization (Blanchflower & Oswald, 1998, Blanchflower, 2000, and Parker, 2004). A large part of this difference in job satisfaction derives from the independence of the self-employed from organizational routines and bureaucracy (Hundley, 2001, Frey & Benz, 2004). However, very little is known about the sources of this perceived entrepreneurial autonomy and how it comes about. For example, how does the independence of the self-employed manifest itself in the daily routines of entrepreneurs? What does 'being one's own boss mean on a typical working day? In particular, are the self-employed more autonomous, because they have, say, a more flexible work schedule? (Hyytinen & Ruuskanen, 2006).

It is a well-documented empirical regularity that it is more satisfying to be self-employed than to work as an employee for an organization. In the literature, a large part of this difference in job satisfaction is attributed to the strong perception of independence by the self-employed (Hyytinen and Ruuskanen, 2006). From a motivational point of view Peña (2002) found that entrepreneurs of growing firms are those that spend a large amount of hours (i.e. 50-60 hours), per week on business activities.

The self-employed work not only longer effective hours, but also more in the evenings and weekends than the organizationally employed. The self-employed have less pure leisure time and are less frequently absent from work in general and because of sickness, on weekdays in particular. The findings also indicate that self-employed are

more often under stress and in a hurry than regular employees. The self-employed interrupt their spells of work more frequently and they spend a smaller fraction of their effective working time in the workplace than the organizationally employed do. In conclusion, however, it appears that the greater flexibility in time use that entrepreneurs enjoy is hardly sufficient to make an entrepreneur independent (Hyytinen & Ruuskanen, 2006).

From research by authors such as Ibrahim & Ellis (1990), Amit et al., (1993), Hills and La Forge (1992), Zimmerer & Scarborough (2002) and Taylor (1996) the following traits and behaviours are cited as typical of entrepreneurs:

- Seeks & Identifies opportunities
- Versatility
- Preference for moderate risk
- Confidence in their ability to succeed
- High energy levels
- Future orientation
- Value achievement over money
- Skilled at organizing
- Flexibility
- Hard workers
- Optimistic

Some of these traits are investigated in this research paper and form part of the survey questionnaire.

2.3.5 Management skills

The majority of the respondents do not see management training as lacking and thus negatively influencing their businesses. This reaction was also experienced in similar

studies and is explained as a form of response form of response bias where respondents seek social approval in the eyes of the interviewer (Ligthelm & Cant, 2002).

Budgeting implies activities such as planning and prioritising, suggesting that respondents already exercise some important business management functions. They may, therefore, not regard management skills as lacking in their businesses. A further factor that should be considered when interpreting the response is that almost half those with management qualifications possess only a basic business certificate. Only a small percentage (15, 5%), of the sample obtained a formal tertiary degree/diploma in business management (Nieman, 2001). The levels of academic qualifications of the business owners in this survey are explored.

Although the majority of respondents with and without a formal management qualification maintain the view that business skills are not lacking in their businesses, a larger percentage of those without management qualifications agreed that the lack of management training and skills impacted negatively on the success of their businesses (Nieman, 2001).

2.3.6 Management actions

According to Ligthelm & Cant (2002) the lack of management skills does not present a serious problem to the success of businesses. Management actions, in this context, generally refer to the tasks of planning, organising, leading, coordinating and control. The respondents in their survey confirmed the importance of implementing effective management functions as a means of improving the success of SMEs.

Results of their research show that the majority of business actions identified in the questionnaire were perceived by respondents as important for ensuring business

success. The percentage of businesses in agreement (agree and strongly agree) with the various management actions were cited as follows:

Percentages that agree and strongly agree:

- Change is an integral part of running a business 81,3%
- Failure is a valuable learning experience 72,7%
- Time is spent more effectively if I plan better 71,9%
- Involve employees in planning and decision making 68,4%
- Set time apart to plan and prioritise 68,0%
- Prefer to do most of the work to be in control of business 60,9%

The management actions that elicited the least agreement from the respondents were:

- I neglect planning due to time pressure 24,4%
- Long-term goals are not meaningful 33,2%
- Daily routine tasks tend to take up most of my time 48,5%

These results largely confirm the importance attached by respondents to effective management actions as a means of ensuring sustainable business operations (Ligthelm & Cant, 2002).

In line with previous results, respondents in the possession of management qualifications constantly attached greater priority to the execution of management actions such as effective planning, organising, leading, and control. The importance of this finding is that it affirms that management training not only transfers management skills to learners but also reinforces the lateral perception that the application of skills contributes to business success. The authors further state that the SME sector plays a very important role in South African economy in terms of its contribution to economic growth and job creation. The sample population, consisting of relatively small yet

sophisticated businesses in township and CBD areas in Gauteng, emphasised that the following issues are of particular concern for the success of their businesses:

- inflation and interest rates,
- increased competition,
- crime and unemployment,
- regulatory and technological change,
- social pressure from family and friends, and
- credit management, heavy operating expenses, and burdensome debt.

Marketing-related issues were singled out as the most important for business success, followed closely by financial issues, general management actions and lastly the impact of macro-environmental aspects on business activities.

Furthermore, it became evident that managers or owners with some sort of qualification did not perceive aspects in the environment as threatening as those managers without qualifications. In addition, managers with some sort of qualification seemed to utilise opportunities more so than managers without some sort of qualification.

Training programmes in business management and entrepreneurship should endeavour to accommodate the above issues in their syllabi. Addressing the various issues in general in training material is not sufficient. The contents should be focused on the specific problems experienced by SMEs and allow for the practical application of concepts and procedures. This is the challenge for management and entrepreneurship training, (Ligthelm & Cant, 2002).

This situational analysis revealed that training of entrepreneurs in South Africa is still rather fragmented and most probably in the hands of too many role players who's aims

and objectives are quite often far removed from what the literature expects or demands.

The training emphasis in most SMME service providers still seems to be more on conventional management training than entrepreneurial training, Ladzani & Van Vuuren (1999) found that there are a number of institutions that claim to provide entrepreneurship training whereas it is mainly business training and that entrepreneurship and business training are confused as being similar. Training interventions aimed at personal motivation and entrepreneurial skills are still rather the exception than the rule.

Except for a small number of standardised interventions such as the International Labour Organisation's (ILO) "Start your Business" and "Improve Your Business" programs which requires specific accreditation, there is little standardisation or quality control. It is virtually a "free for all" situation. This problem will be overcome to a great extent with the introduction of the South African Qualification Authority (SAQA), which requires all courses to be registered and to fit into the National Qualification Framework. This embraces the concept of life long learning, according to Ligthelm & Cant (2002) and they claim that although the White Paper envisaged much more coordinated training of entrepreneurs and SMME's it is clear from some of the recent research findings after the introduction of the new government initiatives that it is still not happening. This should be addressed by government to ensure entrepreneurial activity and growth. It is also imperative that the results of training interventions be measured and researched to determine the best interventions that should and can be used.

2.4 Marketing and entrepreneurship

Hill (2001) investigated the key determinants of marketing activity in fresh food businesses in Ireland and UK and the extent of the sales orientation in SMEs. He

concludes that the sales orientation determines the marketing competencies and therefore the marketing character of SMEs. A determination of the marketing attention by respondents is shown in this survey in an attempt to establish the type of orientation the entrepreneur has to their markets.

2.5 Entrepreneurs and opportunity recognition

2.5.1 Why do people start their own businesses?

Family culture plays a large role in the development of entrepreneurial tendencies and can be influential at an early age and the role of culture may also be an influencing factor where certain cultures see entrepreneurship as more acceptable from a career perspective than other cultures (Ibrahim & Soufani, 2002). In Canada two thirds of entrepreneurs came from families where the father or mother is self-employed and parental guidance support were found to be conducive to promoting personality traits such as risk-taking, innovation and independence where the self-employed parent becomes a mentor and role model.

Many people are attracted to self-employment and escaping the daily grind corporate life as well as being in charge of their own destiny. Barrow (2006:3) cites the following as reasons frequently given for starting up on one's own:

- Being able to make your own decisions
- Continuation of the business through the next generation
- Creating employment for the family
- Being able to capitalize on specialist skills
- Earning your own money when you want
- Having flexible working hours for existing or family commitments
- Taking calculated risk on your own abilities
- Reducing existing stress and worry
- Having satisfaction in your own work and achievements

- Being your own boss
- Working without having to rely on others

Opportunity recognition by entrepreneurs forms an inseparable part of the definitions of entrepreneurship as mentioned earlier. In their research of entrepreneurship and opportunity recognition Craig & Lindsay (2001) attempted to establish what the opportunity recognition process entails. This study attempts to establish the extent of opportunity as a motivator for starting a business and then relates that as a factor for measuring the extent of entrepreneurship.

Opportunities are described by Timmons (1990) as being everywhere yet non-venturists see only problems. The qualities of opportunities are that they are attractive, durable, and timely and are anchored in products and services that create or add value for their buyers or end users. Most successful entrepreneurs start with what customers and the market want and do not lose sight of this. Timmons (1994) claims that “gut feel” based on experience is extremely important and not a substitute for formal market research. Only about 1 in thirty business ventures had founders that were good enough at opportunity identification to grow their businesses to an annual sales turnover of \$1 million. Entrepreneurs identify opportunities by scanning their environments for information that may lead to new opportunities and this requires a high focus on markets and customers. Entrepreneurs often act on an idea with limited information and make decisions where there are no historical trends (Miller & Frierson, 1984).

It is interesting to note that Craig & Lindsay (2001) found that entrepreneurs tend to be excellent networkers and get most of their ideas from networking with colleagues. Entrepreneurs realize that they need other people to help them achieve their goals and therefore rely on professionals as a trusted source of ideas. Experienced entrepreneurs know what to look for in assessing ideas whereas non-experienced entrepreneurs do not. Durations of businesses will be examined in this research and compared to

number of startups to develop a “feel” for the experience levels of entrepreneurs on the KZN South Coast, as well as identifying the motivators for entrepreneurs starting up their own businesses. The extent of entrepreneurial traits as cited by some authors is investigated.

2.5.2 How many people start up?

Barrow (2006) claims there were an estimated 4 million businesses in the UK of which 99% had less than 50 employees yet provided 46% of the UK non-government employment and 38% of sales turnover. Comparing this to large businesses there were only 6000 that had 250 or more employees compared to 1,9 million, 30 years ago.

2.6 Entrepreneurs and wealth creation

Individuals who pursue entrepreneurial careers for greater pay and /or status are more likely to be opportunist entrepreneurs and are more likely to be pulled into entrepreneurship by external pressures such as the market or wealth creation (Katz, 1994). Because of their need for more pay and/or status, opportunist entrepreneurs operate businesses with high sales levels. Whilst independence is a strong reason for starting a first business a variety of other more materialistic reasons come to the fore when a founder establishes a business (Donckels, Dupont & Michel, 1987). Such reasons may be for autonomy and freedom rather than financial or status gains. Some of these motivators will be explored in this research paper.

2.7 Entrepreneurship and the internet

Poon & Swatman (1997) propose that entrepreneurship traits such as creativity, innovation, managing and achieving targets, are contributors to the use of the internet and derived benefits such as doing competitor analysis and advertising, as well as purchasing. Their conclusion is that most small businesses are still only using the

internet as a communications tool, namely, email, and that entrepreneurship will drive internet usage to a greater degree in future. In this study internet usage is explored.

2.8 Entrepreneurial development

The Canadian small business sector makes up 98% of the total number of businesses and according to research two thirds of Canadian small businesses failed due to lack of managerial skills (Ibrahim & Soufani, 2002).

The skills refer to strategic planning, marketing, cash management, networking, negotiation and general management and training education have been cited as an effective way to reduce small business failure in Canada (Ibrahim & Soufani, 2002) and that entrepreneurship training is gaining popularity in Canadian universities. It was found that 40% of students attending entrepreneurship courses started their own businesses and 30% joined family businesses whilst 30% worked for larger organizations. Bécharde & Toulouse (1997) suggest that entrepreneurship knowledge can be grouped into three different categories namely; orientation and awareness, new venture creation and venture management – survival and growth. 32 Canadian universities have an entrepreneurship program and small business centre providing mentorship and training. The impact of these centers on the growth and success of small businesses, is not known.

The three major training challenges facing entrepreneurship training are firstly a lack of empirical research and conceptual research on entrepreneurship training, secondly there are no systematic efforts to identify the personality traits and skills that make a successful entrepreneur and thirdly there is no national strategy for entrepreneurship education and training (Ibrahim & Ellis, 1990). It is important to note that Ibrahim & Soufani (2002) makes a distinction between courses offered on specific business functions such as accounting, marketing, finance and human resources, and entrepreneurial education that place an emphasis on decision-making skills. These

skills are enhanced via case studies, mentorship and incubator programs. This does not undermine the importance of the functional skills but rather uses them as support for decision-making.

2.9 Entrepreneurial development in South Africa

The South African economy is currently characterized by high levels of unemployment, abject poverty, high illiteracy, low productivity and low international competitiveness. It is also struggling to attract and retain foreign direct investment and portfolio investments. Amidst this situation, the formal sector is also continuously shedding jobs and the formal sector's absorption capacity steadily declined, from approximately 75% to about 3% currently over the past three decades (Nieman, 2001).

The need thus exists to create a situation where the entrepreneurial flair of individuals must be developed, supported and encouraged. In other words, the need for building capacity to encourage small business development, especially within the previously disadvantaged groups in South Africa, is of paramount importance to the development and long-term survival of the South African economy. Issues such as the absence or limited availability of social safety nets in South Africa, reinforces the dire need for self-employment, growth and development. This will also largely decrease the state of dependency of a large percentage of people, either unemployed or potentially unemployed (Nieman, 2001).

Furthermore, the development of entrepreneurial behaviour will lead to the extension of labour market skills and will also combat the possible obsolescence of current skills due to prolonged periods of unemployment. The SME sector is considered to be one of the most viable means to create employment and well-being in the South African economy. A business in general, whether micro, small or medium, which produces goods and services that are in demand, will have the over-arching aim of generating income for its owners or operators. It is therefore easy to understand that it is the

initiative of a person or persons that leads to the creation of a formal entity and it is the amalgamation of all the individual entities, big or small, that determines the state, nature and direction of a country's economy. South Africa is no different according to Nieman (2001).

2.9.1 Tertiary institutions (Universities and Technikons)

Tertiary institutions only started presenting entrepreneurship programmes, during the early seventies in the United States of America. Today more than 1000 universities and colleges are presenting courses in entrepreneurship compared to 50 in 1975, 117 in 1979, 263 in 1983, and 417 in 1986 (Timmons, 1994 & Kent, 1990). Kao (1989) ascribes this to the realisation that new job opportunities are mainly created by small business. In South Africa this paradigm shift took place at the end of the 1980's. The result was that the presentation of entrepreneurship as part of business management started at the beginning of the 1990s (Kroon, 1997).

According to Sexton & Kasarda (1992) entrepreneurship education lacks an accepted paradigm or theories, which can assist the trainer and educator to include material which will as Timmons (1994) reports:

- Convince the student to become actively involved in entrepreneurship
- Understand the dynamic world of entrepreneurship; and
- Slow down the reality shock of the real world by means of formal tuition.

The proliferation of training institutions and courses which could be relevant to SMME entrepreneurs are often the result of a supply driven approach than based on the needs of the entrepreneurs themselves (Bezuidenhout, 1996).

2.9.2 Complexities and barriers to entrepreneurial development

To date entrepreneurial development itself is not well understood and the academic community has been slow to investigate what the enterprise culture means, nor what

the pursuit of entrepreneurship means (Storey, 1994). This is supported by the debate as to whether individuals can be developed for new business creation and entrepreneurship, as well as the complexities of measuring the effectiveness of such courses and programmes (Henry, 2004). Little empirical research has been done to evaluate the effectiveness of courses and programmes and the problem stems from conducting the evaluations (Curran, 2000). According to Storey (1994) objectives are not clearly defined when evaluating training programmes, thus causing those doing the evaluations to infer policy objectives rather than having them clearly detailed.

The second problem with entrepreneurial development originates from the debate on whether entrepreneurs are born or made (Faris, 1999), who concludes that entrepreneurial behaviour is no different from most other human behaviour in the sense that its origins can only be traced to a complex interaction of innate, background and environmental factors. Jack & Anderson (2005) suggest that teaching entrepreneurship is a bit of an enigma since the actual entrepreneurial process involves both art and science, the 'science' aspect reflecting the business and management functional skills and the 'art' aspect reflecting the creative and innovative qualities of entrepreneurship, not both necessarily teachable.

Laforet & Tann (2006) cite the main constraints of SMMEs as customer dependency, skills and knowledge acquisition through training, poor learning attitude and networking because of their tradition of being insular and autonomous.

When the preceding issues are taken into account with the difficulty from a time constraint, as well as a lack of perceived benefit from training, it is not surprising that entrepreneurial development interventions are generally not as easily offered nor accepted by both providers and recipients.

2.9.3 Problems experienced by micro and small businesses entrepreneurs in South Africa

In the South African economy, more than 1 million jobs have been shed since 1990, bringing the unemployment rate, by February 2002, at 20% (Ligthelm & Cant, 2002).

The SME sector is widely regarded as the driving force in economic growth and job creation in both developed and developing countries (Sunter, 2000). The important contribution that SMEs can make to employment and income generation is recognised around the world, and in particular in South Africa.

The identification of their problems and development of appropriate training programmes to address these problems, should thus assist in equipping small business owners with the necessary managerial skills to survive in today's competitive environment.

Deficiencies in the internal environment are the major cause of SME failures, and revolve around management skills, financial knowledge, lack of expertise in functional areas such as marketing, human resource management (Ligthelm & Cant 2002). Some of the problems emanating from these factors include specific management issues such as a lack of business management training and skills as well as a limited family business culture in South Africa. Other reasons for failure include the inability to act as entrepreneur, to control business growth and overemphasis on financial rewards. Management actions and behaviour which are lacking are inability to set strategic goals, plan forward, reluctance to seek advice, lack of management commitment and unwillingness to adapt to change (Ligthelm & Cant 2002).

2.9.4 Potential drawbacks of entrepreneurship

According to Zimmerer & Scarborough (2001) the following are some drawbacks for entrepreneurship:

- Uncertainty of income
- Risk of losing your entire investment
- Hard work
- Lower quality of life – initially
- High levels of stress
- Complete responsibility
- Discouragement

An interesting suggestion by Baron (1999) refers to the level of fit between entrepreneurship requirements and personality characteristics as a measure of entrepreneurial match. The research in this paper uses some of these entrepreneurial characteristics in terms of personality traits in the survey tool, to find the extent of fit of traits of entrepreneurship in micro and small businesses on the Mid- South Coast of KZN.

Baron (1999) cites the following qualities as high on the list of entrepreneurial requirements namely self-efficacy, ability to recognize opportunity, perseverance, human and social capital as well as high levels of social skills.

2.10 Conclusion

From the literature it appears that entrepreneurs can be identified by certain personal characteristics as well as their actions. The qualities of an entrepreneur are not quantitatively measured but may consist of combinations of inherent traits that support business opportunity recognition. As with leadership qualities an ongoing debate exists whether entrepreneurs are born or developed and will remain inconclusive. The

most significant ability of entrepreneurs appears to be their capability of seeing an opportunity where others would not. The environment within which the entrepreneur exists as well as come from, has an influence on entrepreneurship qualities. Authors have differing definitions for entrepreneurship and cite different levels of importance to the requirements for successful entrepreneurship and the influences these have on venture success. Consensus exists amongst researchers regarding the shortcomings of entrepreneurial support systems in terms of educational infrastructure as well as the actual business knowledge and skills courses that are offered by institutions.

Micro and small businesses by their design and the demands put on entrepreneurs by them, make it difficult to administer formal training programs and it may be that this poses the biggest obstacle to formal training providers. When considering the range of recommended qualities and skills / knowledge required for successful entrepreneurship it is not surprising that there are gaps in the actual skills course designs for example how does one teach topics such as networking, opportunity and recognition? Further research may be necessary to define the actual skills training for entrepreneurial development which then need to be translated into competencies and offered as customized courses.

Finally, the lack of empirical research as cited by Curran (2000) does not make for an easy base to work from in terms of entrepreneurial development.

Cultural aspects such as family influence can also promote or inhibit entrepreneurial propensity and this would an evolutionary development over time where countries become more even more reliant on micro and small business start-ups and proportionally more of the population grows up in entrepreneurial families.

Research from all countries indicate the importance of micro and small businesses regarding their contributions to the economy as well as in providing employment yet it appears that support for these entities is in a very early stage of development. Some of

the blame for the lack of development within micro and small business managers must be carried by those managers themselves as budgetary and time constraints added to strong levels of autonomy are not conducive in creating a learning culture.

CHAPTER 3

BUSINESS SKILLS AND KNOWLEDGE

3.1 Introduction

In this chapter the definitions of knowledge and skills are discussed. The impact of business knowledge and skills on business startups is explained and the impact of lack of business knowledge and skills relating to business failures is discussed. The extent of support for business knowledge and skills development is highlighted as well as the reliance of small businesspersons on the internet as a support system. In this paper the reference to business knowledge and skills relates to four basic disciplines namely:

- Finance
- Human resources
- Marketing
- Operations

3.2 Definition of knowledge

Encarta Dictionary (2005) defines knowledge as the general awareness or possession of information, facts, ideas, truths or principles learned through time. The definition is further explained as explicit or implicit information about a situation of fact.

3.3 Definition of a skill

Encarta Dictionary (2005) defines a skill as the ability to do something well, usually gained through experience and training.

This survey attempts to determine what areas of management entrepreneurs are knowledgeable and or skilled in. The mass of literature regarding the above aspects of managing business particularly micro and small business is extensive and various schools of thought have developed concerning what should be known, how it is to be

gained and what the support systems are that exist for micro and small business. There are different beliefs regarding the role of formal training and education and how these influence success rates for micro and small businesses. The emphasis in this paper is to establish the extent of business knowledge and skills in the region concerned and will relate this to the different disciplines required to manage a small business, but not to link the extent of business knowledge and skills to business success or failure rates. The purpose of this research therefore excludes a determination of the causes for micro and small business failures in this region.

3.4 Why is the topic of knowledge and skills important?

As articulated by Drucker (1993) “We are entering a ‘knowledge society’ where knowledge is quickly eclipsing traditional factors of production such as labour, capital and land”. This is particularly evident in high-end-knowledge work sectors such as professional services, software development, financial services and technical product development – areas where an organizations ability to tap the intangibles of employee judgment and creativity are critical. To thrive and grow in today’s dynamic business environment, it is increasingly important that small businesses in such knowledge-intensive industries organize to leverage the collective intellect and creativity of its entire employee base (Cross & Funk, 1997).

The topics of knowledge and skills are important because in a developing economy the contribution from entrepreneurial venture is higher than the professional contribution. This can be seen in the research by Iyigun & Owen (1998) and is further supported by the work of Barrow (2006) who showed that businesses with less than twenty employees were responsible for two thirds of increased employment in USA (Barrow, 2006). The impact of these findings encouraged governments to step up and encourage entrepreneurship development. According to Barrow (2006) these small businesses are fragile with roughly eight million closing every year – comprising half of the US

economy. The main reasons for failure rates are cited as lack of management expertise and under-capitalisation.

The importance of training and development can be summed up in the following points according to Fisher, Schoenfeldt, & Shaw (1999):

- Orientation of new employees
- Optimisation of performance
- Development for promotion
- Upcoming changes in design, technology or job content
- Facilitates strategy implementation
- Assists in solving immediate business problems
- Assists in retaining a competitive advantage

3.5 Business skills and knowledge

Midlane (1997) researched critical success factors for a small knowledge-based service and found from a general point of view that managerial competence is rated as the most critical success factor. To bring about success as well as attending to the critical businesses success aspect, training was deemed necessary with regards to quality management, financial management, marketing management and human resources management. The results of the study indicate that management should focus their efforts on the tasks of management. These areas will be central to most of this research.

This study does not attempt to claim or prove that a lack of managerial skills and knowledge are the prime determinant of success or failure amongst small and micro business entrepreneurs but rather to establish the actual areas of knowledge and draw some conclusions from those findings. Other factors apart from managerial capacity are often responsible for business failure and are frequently a part of the environment.

Such factors are competition, loss of market share, obsolescence of the product through other technological advancement and economies of scale as well as supply chain failures. These factors seldom act as singular threats but exist in combinations to greater or lesser degrees. To exist in this environment without managerial skills and knowledge is a daunting prospect.

The entrepreneur's level of education is positively associated with a firm's survival rate (Cooper, Dunkelberg & Woo, 1988) and that managerial knowledge brought from a previous firm contribute to success, coupled with experience of prior startups. The term "human capital" consists of knowledge, skills as well as personal make-up and includes experience gained (Cooper et al., 1988) claim that entrepreneurs whose families or relatives have gone through a business startup process are more likely to be successful by having been acquainted with the requirements of starting up.

Research by Brink (1996) compares reasons for failure amongst South African businesses against those of overseas countries and aims to sensitise small businesspersons to the most common pitfalls and how to avoid them. The research suggests that as a first measure to increase business successes, management training for active and prospective entrepreneurs is critical.

Ormond (1993) investigated issues and problems in small business in South Africa and proposes that effective management development would result in greater awareness of change, improved management effectiveness through more effective use of objectives, strategic planning and greater attention to the problems of self-development and focus on financial planning and strategic planning. The recommendations from the research are that small businesspersons should adopt a strategic planning approach.

The relationship between recommended versus actual knowledge & skills will be determined to find the gap. Areas of management expertise covered in this paper are

financial management, marketing management, human resources management & operations management.

This research will therefore aim to establish the extent of entrepreneurship and then to establish the existing business knowledge and skills levels and finally determine the need for various managerial knowledge and skills i.e. determine what the consensus is with the findings of other researchers. This research attempts to establish the duration of small ventures along the mid-South Coast of KZN and establish whether a relationship exists between the level of management knowledge and skills and the number of start ups.

The scope of skills and knowledge required for entrepreneurial ventures may be wide and includes the generic managerial skills required for running most businesses. However there exists a group of skills that are classified entrepreneurial skills i.e. How to identify and start up a business as well as the networking abilities required for learning. Freel (1999) investigates small manufacturing firms' perceptions regarding the skills required to improve innovation. There appears to be few observed differences in perception between more and less innovative firms, however all firms felt that enhanced technical skills was the primary means to achieving improvements in innovative output. When there is an absence of higher-level skills, and faced with a competitive labour market, small firms become tied in to levels of existing technology.

The point of interest is that improved management and financial skills do not rank high on the small firm's wish list and are subordinate to what is called in-house skills as opposed to external expertise. This points to an internal "skills gap". This observation will be compared to the findings of the current study to establish the degree of similarity although the study of Freel (1998) covers the industrialized West Midlands of the UK and does not resemble the demographics of the Mid South Coast of KZN.

According to Bosworth (1989) small firms operate under resource constraints which inhibit management recruitment and development. Small firms are seldom able to meet the wage rates and developmental opportunities that large firms offer and this disadvantages them in the market place due to the lack of required innovation, notably during early product development stage. In the absence of higher skills levels, and faced with a competitive labour market, small firms become tied in to levels of existing technology which further undermines their competitiveness.

The current investigation determines the existing skills levels by focusing on the formal managerial disciplines and to what extent small firm managers are willing to learn more about certain disciplines as well as the specific disciplines in question. Storey (1994) found that small firm participation in formal training is extremely low. This may be caused by extended hours worked by micro and small business entrepreneurs leaving limited time for leisure and family.

Freel (1999) concludes that innovative firms are significantly more likely to employ graduates than their less innovative counterparts – 47.9% of innovative firms employ one or more graduates while 30.8% of non-innovative firms employ any graduates. In the survey small firms, themselves identified in-house technical and marketing skills as needs for developing innovation.

The intensity of competition and pace of change requires an environment where leadership, structure and control systems must increasingly focus on the management of business knowledge and skills. Lack of investment in training is an often-cited reason why companies in the U.S.A are losing market share to foreign competitors (Fernhald, Solomon, & Bradley, 1999). Companies that link training to business strategy have a 40% higher total shareholder return according to Noe (1998). Small businesses spend less than one-third as much as large employers on training and development yet they created 79% of new jobs in the U.S.A between 1992 and 1996 – a figure of 9.5 million jobs. Less than 19% of small firms offered new employees

formal training on entry. This is alarming considering the role and extent of small business. The results of Fernhald's study showed that most of small firms felt they needed training in increasing sales, followed by how to effectively promote small business and then by market research followed by development in doing financial analysis, and lastly how to go about obtaining capital. Their conclusions were that today's small business employees are not receiving the training they need. Most training received occurred on the job i.e. 70% of firms. Thirdly, the move towards services will impact on the higher skills levels required.

3.6 Intellectual capital and business start-up success

The influence of human capital on business start-up performance was researched by Peña (2002) and shows that the majority of firms showing growth in sales, employment and profit are managed by entrepreneurs with college degrees and with special interest in business education programs. Prior experience was also found to be an important asset for growth and this is attributed to exposure to different markets. Flexibility in adapting to markets appears to be another growth ability and the "learning organization" is referred to describe this presence. The ability of entrepreneurs to relate to customers to is also cited as a contributing quality of entrepreneurs. The ability to develop networks was found to shorten the growth stage of businesses.

A study conducted by Meng & Liang (1996) involving entrepreneurs in Singapore disclosed that successful entrepreneurs have higher education levels compared to that of unsuccessful entrepreneurs. Seventy percent of successful entrepreneurs are university graduated, while 23% are not. The academic qualifications of the respondents in this survey will be investigated.

According to Meng & Liang (1996), Staw (1991), and Katz (1994), after entering the entrepreneurial world, those with higher levels of education are more successful

because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business. Some investigation is done in this study concerning the academic qualifications of the sample surveyed.

3.7 Micro and small business training and development issues

There are certain macro issues regarding training and development are as follows: Employers spend about the equivalent of 1% of their payroll on training and development, however future demand is speculated to be up to 3% (Chance, 1998). A Cooper's and Lybrand business poll asked the question: 'Is the lack of skilled workers hurting your revenue growth?' The 1993 response was 27% yes, in 1998 the response was 66% yes, according to Chance (1998).

The age group of sixteen to twenty four year-olds is diminishing and small business will have to look to employing less qualified employees to fill new positions as well as working harder to remain productive (O'Connor & Bronner, 1996).

The concern is that out of twelve million new jobs created in the U.S.A between 1992 and 1996, 79% were created by small and micro businesses, so where will the investment come from when considering that micro and small businesses spend less than one third on training and development compared to large firms (Chance, 1998). Less than 19% of small businesses offer formal training for new employees, compared with 44% of large firms (Lichtenstein, 1992).

Lack of expertise is often the cause of business failure. The entrepreneur lives in a world with limited support systems and is required to be highly versatile. At the same time it may be the case that the entrepreneur has entered a world where they lack experience in their type of industry. This forces the business starter into a near impossibly steep learning curve where all learning has to be bought at some price.

Making mistakes often consumes scarce cash resources causing high failure rates at the outset. The general rule is that the further one moves away from what you do know and understand in terms of products or services and customers and markets, the lower the chance of success (Barrow, 2006).

Van Rooyen (1999) researched business management skills and knowledge existent amongst retail pharmacies with the aim of establishing the need for additional management skills and knowledge. The results reflected a lack of management skills, lack of vision and clear objectives. The morale of employees supported the above findings. Recommendations from the study were that pharmacy managers needed to change their management approach towards a more service orientation. The author felt that an “adapt or die” situation existed.

Robinson & Haynes (1991) found that educational services were widely spread throughout the segment of entrepreneurship but most were relatively underdeveloped. While entrepreneurship development has come a long way in the past thirty years it still has a long way to go. This research will determine the need for this type of development in the designated area. Cooper et al., (1988) suggest that 67% of new businesses fail within 4 years due to lack of managerial business knowledge and skills.

Schamp & Deschoolmeester (1998) studied the survival rates of two groups of entrepreneurs. One group had received management training and the other group did not. Firstly, they found that the trained entrepreneurs started businesses at a younger age, the difference on average being about 6 years. Secondly, the management training seemed to indicate higher growth attitude patterns in the development of the businesses. A further finding was that the “*management trained*” entrepreneurs were more motivated to take up the challenge of an opportunity than the others in other words entrepreneurs that had prior business knowledge and skills were starting up businesses at a younger age with more confidence. This study will attempt to

determine the relationship between academic qualifications and number of business startups.

Research by Pretorius (2001) focuses on a need for more businesses and start-ups hence a need for training and learning. The findings indicate that the skills and knowledge related to a venture start up are fairly easy to transfer, however it is the actual start-up edge or commitment whereby the applicant takes responsibility that is difficult to transfer in a learning process. This supports the research by Schamp & Deschoolmeester (1998) i.e. formal education plays a role in the confidence levels for startups but not necessarily in preventing failures.

Doyle & Desai (1991) claim that a majority of businesses fail because of internal factors affected by managerial action and discipline. Examples include failure to control operational costs and failure to analyse financial statements. The literature indicates that few business failures can be attributed to competition or other outside (external) forces.

3.8 Research in other countries

In China, according to Li, Zhang & Matlay, (2003) entrepreneurship is a relatively new concept in educational institutions. This situation is improving as the Ministry of Education is giving entrepreneurship development a greater focus with attention in areas of innovation and venture financing. The freeing of the entrepreneurial spirit in China is reflected in the success of the economy and the question raised is what further measures are necessary to promote entrepreneurial growth. In 1999 there were thirty three million registered small and micro enterprises making up 99% of all economically active business. SMEs contributed \$150 billion in exports in the 1990s (Li, et al., 2003).

Such has been the change in government response to entrepreneurship that the government has launched a series policy changes and support initiatives to establish an entrepreneur friendly environment. These included new laws to legalise business ownership and enable small business growth, new policies and regulations to give financial support, technological innovation and the development of business systems, thirdly, access to finance was improved by creating funds for high-tech start-ups and development of the venture capital market (Li, et al., 2003).

The development of management and entrepreneurial education only became established in the 1990s after the educational and economic reforms of the late 70s and early 80s had taken root. Many universities established business schools and today 56 accredited MBA programmes are run throughout the country. In the research by (Li, et al., 2003) educational entrepreneurial programmes started emerging in China and covered topics such as business venture management, business plan writing and assessment of business plans.

Due to their economic impact entrepreneurs have become role models for other forms of business i.e. large businesses modeling small business practices.

In their conclusion (Li, et al., 2003) highlight the dependence that entrepreneurship has on an enabling and supportive environment. It appears that very little or no support systems for entrepreneurial development, exists in the area under study compounded by the fact that this region cannot rely on big industry for sustainability as there are very few.

Research by Matlay (1997) reflects no surprise at the lack of research done on the human resources development needs of small business owners / managers, the reason being that the assumptions of academics have wrongly been that the needs of small business managers are reflected in large firms anyway.

Furthermore there seems to be very little agreement amongst researchers regarding the optimum type, quality and quantity of training needed in smaller firms. Other research by Matlay (1997) concludes that although management attitudes to training were positive, the actual provision rates could not meet the required demand.

It is generally accepted that human resources issues have been largely neglected in smaller firms and it has become apparent that training solutions that have benefited large firms cannot be applied to smaller firms (Matlay, 1997). The reason is attributable to the enormous size, complexity and sectoral diversity that characterizes the micro and small business sectors. Furthermore there appears to be little agreement amongst interested parties in terms of the optimum type, quality and quantity of training needed in smaller firms (Matlay, 1997). Smaller firms need to train employees to improve productivity but are generally the ones that can least afford it. This leads to training being dealt with on an 'if-we-can afford-it basis' (Feuer, 1988).

Suggested solutions to training for micro and small businesses are cited as being on-the-job training designs and no longer than half-day modules which may best be offered on Fridays, at a reasonable cost. The design of flexible work schedules needs to be looked at as well as customized training in non-traditional curriculum (Chance, 1998). An interesting observation is that only a small minority of micro and small business owners were prepared to delegate responsibility for any managerial or strategic function and that 93% of micro and 70% of small business owners/managers preferred an informal management style. These preferences appear to reflect back to that of training and development as well as recruitment. When medium-sized businesses were surveyed in the UK, 54% preferred a formal approach of management style and with large businesses the response rate was 100% (Matlay, 2002).

Further research in the UK shows that 98.6% of learning in micro businesses took place at owner/manager level (Matlay, 2000).

3.9 Small business and use of the internet

Internet usage among small businesses has recently become a popular topic for researchers in the fields of marketing, information systems and entrepreneurship. According to Poon & Swatman (1997) it is important for small businesses to learn from the experiences of early adopters of Internet usage. It appears from their research that management enthusiasm and perceived benefits are the driving force for ongoing Internet use. Little integration was found between internal applications and Internet inter-organisational functions. In this study some investigation into the extent of internet usage is done and is related to skills and knowledge levels of entrepreneurs in the mid South Coast region of KZN.

Poon & Swatman (1997) cite that the amount of increasing research on Internet usage within small businesses indicates it's importance as a business tool. The main advantage of Internet usage for small business is it's inter-organisational function. Put differently, it offers many functions that integrate the business with it's environment which previous IT functions could not do. This empowers the small business owner in a manner that gives it big business communication advantages. Often small businesses have gained advantages by their propensity to use the Internet.

According to Matlay (2000) much of the research on IT use has not necessarily been related to factors affecting SME successes. The majority of their study's respondents pointed to the need to use the Internet as a support for human communication. They felt that benefits such as cost savings and alternatives to fax and telephone, such as email, were important. Most of the respondents used email and this contrasts with findings from the KZN coastal survey as seen in the results.

Most respondents claim they used email to communicate with customers however this still only made up 20% of all communications with external entities. Perceived benefits were categorised into direct and indirect categories. Direct benefits were savings in communication costs and generating short-term revenues. Indirect benefits were seen as potential business opportunity creation and advertising and marketing. Most respondents believed that not using the Internet would soon become a competitive disadvantage (Matlay, 1997).

3.10 Conclusion

Most writers agree that the support mechanisms for the development of the small businessperson are weak and apart from attending a formal tertiary education institute the small businessperson is generally left to rely on his own development. There is concern that the lack of strategic planning by micro and small business owners limit opportunities. Networking is regarded as a very powerful learning tool for the small businessperson however not all of them understand this and it does not appear as a subject in formal educational programs.

Apart from the formal disciplines such as financial management, marketing, human resources and operations management there are other necessary areas of development namely, entrepreneurial skills, leadership, planning and networking. One area of potential focus that is cited as an entrepreneurial ability is the ability to identify market demand for products and or services and this is integrated with opportunity recognition although not necessarily synonymous with it. Furthermore, the ability or skill to innovate is cited as an important contribution for successful entrepreneurship yet it may not be easy to develop within all individuals as there may be a personality constraint i.e. not all people are innovative or creative by nature.

Entrepreneurial skills refer to a long list of competencies and or traits and it is debatable whether some of these can be developed through formal course offerings.

Examples are opportunity recognition, building networks to source business and motivational aspects such as energy levels and need for achievement.

The high priority of production with limited resources in micro and small business augmented by limited resources places constraints on the practicality of formal training programs, unlike big firms that budget and plan for these interventions. From the time constraints that small and micro business owners experience it may be that “learning time” is often sacrificed for other higher priority activities, such as production, more so than in larger firms. Funding for training in micro and businesses is limited and the customisation of training and development interventions is a shortcoming from a supply perspective. A further reason for the lack of participation in formal training programmes is that candidates are unable to link course content with actual on-the-job problems and are therefore unable to see direct benefits in such an investment.

There appears to be general consensus that entrepreneurs that experienced formal tertiary education in business functions have a higher propensity to start businesses at a younger stage and that failures are less likely, however formal education is not a cure for micro and small business failure, as the range of possible causes from the external environment is too wide.

The very nature of training is long term and this clashes with the typical short-term survival mentality of owners thus not creating an environment conducive to intellectual investment not only for themselves but even less so for employees. Research by van der Heijden (2003) showed that starters and seniors participated more in formal training programmes than the middle-aged in small companies and is contributed to a maturity attitude where performance indicators of the business are received more readily than with middle-aged. No reason was cited for starters being higher than middle-aged although it may be contributed to the lack of expertise at that

age. Smaller businesses were also found to place a high reliance on informal off-the-job training such as liaison with friends, customers and suppliers as well as manuals and booklets (Anderson & Skinner, 1999).

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

The purpose of this chapter is to define the scope of the research, explain the design of the survey tool and how the sample size was derived. The approach to the survey is detailed and a conclusion ends the chapter. The survey tool refers to the actual survey questionnaire that was used to extract responses from respondents. Sample size means the number of respondents that formed a representative group of the total population i.e. micro and small businesses in the region concerned. The receptiveness of the participants is discussed and the rationale behind the questioning technique chosen is explained as well as details regarding the question design.

4.2 Scope of the research

The practice of franchising was deliberately left out of this study in order to isolate the entrepreneurial group that started their ventures without the support of a product concept, training or knowledge and marketing support systems that normally accompany a franchise venture.

Any businesses that did not comply with definitions of small or micro businesses have been omitted from this study. The survey sample also excluded any businesses that were further inland than one kilometer i.e. not considered as part of the coastal region. Estate agencies were excluded as they generally form part of a chain or grouped structure where advertising and branding, training and development is funded by a head office. This type of business does not fall within the definitions of small and micro business as their annual turnover exceeds the stipulated amount mentioned in the definition of a small or micro business.

This paper does not attempt to determine any relationship between skills and knowledge, entrepreneurship extent and causes of micro and small business failures, in the region concerned.

The motivation behind this study was to establish the degree of entrepreneurship existent along the mid-South coast of KZN as well as the type of skills and knowledge that small business entrepreneurs have in this region. Many small businesses exist within this area and the level of management business knowledge and skills is often under question when considering the lack of their growth. Businesses close unexpectedly and from observation some are poorly managed. There may be an opportunity to make a contribution to small business in this area in the longer term by creating developmental opportunities for small business entrepreneurs and academic institutions.

4.3 Design of the survey tool

The survey instrument consisted of a 33-question document containing 163 variables. The questionnaire deals with two parts, the first to extract the personality traits of the respondents as well as their behaviours and the second part of the questionnaire deals with information required to establish the extent of business knowledge and skills by establishing what respondents perceived as difficult, wanted to know more about as well as saw as important. Academic qualifications are explored to determine the formal education levels within the sample drawn as well as their usage of the internet. Business demographics such as age of business, number of employees, time allocation and number of startups were also determined.

The questions were designed to take into account the definitions of entrepreneurship as well as the personality traits within entrepreneurs. The questions were mostly presented in a choice format where respondents were required to make choices between words that described their personalities the best.

Every question included blocks that the respondents were required to tick off as preferred choices.

Some questions were repeated but asked in a different manner to determine whether similar patterns in responses would emerge. This meant mixing the positive indicators of traits of an entrepreneur as first or second options and at the same time making some traits fairly similar, to choose from, to minimize bias.

Part A of the survey tool focuses on the personality traits and behaviours of the respondents. The areas covered here involved:

- Money
- Success
- Earning a living
- Own boss
- Take risks
- See opportunity
- Creativity
- Autonomy
- Flexibility
- Authority
- Vision

Additional questions covered the following areas:

- Energy levels
- Time allocation
- Flexibility
- Customer focus
- Vision

- Market focus
- Previous startups

Part B of the survey tool focuses on the business knowledge and skills levels of the respondents. The areas covered here involved:

- Formal education levels with regard to type and level
- Finance
- Marketing
- Operations
- Human resources

Respondents were asked how they allocated their time as well as ranking the disciplines in terms difficulty and then in terms of importance. Finally respondents were asked to indicate in which areas they would like to gain more knowledge, to determine a need basis.

A pilot survey of 5 questionnaires was done and the questionnaire was adapted to make it more user friendly by using a larger font and larger blocks for ticking choices, as well as improving the selectability of word choices. A letter of consent was attached to every questionnaire with provision for the researcher's signature, the name of the business consulted with and the signature of the respondent.

4.4 Sampling Method

The intention of this research was to capture realistic information about a sample of the total population of micro and small businesses that would be as representative of the population of small and micro businesses, as possible in answering the research question, in the region concerned. The businesses surveyed were from towns ranging

from Pennington and progressed northwards up to and including Amanzimtoti, as these towns fall within the mid South Coast region of KZN.

According to the UGU Regional Council the population of registered businesses on the mid-South Coast of KZN totals 2096 (Elliott, 2004). It remains uncertain how many of these fit into the definition of micro and small businesses and this figure also included the Port Shepstone area which did not form part of the mid South Coast of KZN.

A population of small businesses was extracted from telephone directories namely Brabys (2004) and the KwaZulu-Natal Phone Book & Yellow Pages (2004/5) as well as making a physical identification of businesses unlisted in the Umgababa area. Lists of as many as possible businesses were drawn up and entered into a Microsoft Excel spreadsheet, totaling 958 micro and small businesses.

According to Huysamen (1994) by using a stratified random sampling method a representative sample from a population with clearly distinguishable subpopulations is obtained with a greater degree of accuracy than simple random sampling. This form of probability sampling was used in the sampling approach with the subpopulations consisting of business location as well as business types i.e. manufacturing, food, hardware, services and clothing.

Hyusamen (1994) further claims that with a stratified random sampling approach, representativeness is ensured irrespective of sample size. In this survey the sampling method selected was a probability sampling approach using proportionate stratified random sampling which according to Hair, Bush & Ortinau (2003) involves three basic steps:

- Dividing the target population into homogenous groups or strata
- Drawing random samples from each stratum

- Combining the samples from each stratum into a single sample of the target population

Hair et al., (2003) describe proportionate stratified random sampling where the sample size from each stratum is dependent on that stratum's size relative to the target population. Using this approach in the study the target population was coded for sorting into strata by type. The size of each stratum was then calculated as a percentage of the total. The next step was to calculate the required numbers for each stratum as a relative proportion of the stratified random total. Random numbers were then generated for each stratum size by using an online random number generator.

To determine the actual sample size from a known population, the margin of error, the confidence level and the population size need to be known.

A sample of 500 assures that sample error will not exceed 10% of standard deviation, about 98% of the time and within these limits (30 to 500), the use of a sample of about 10% size of parent population is recommended by Alreck & Settle (1995). These guidelines were used in this survey to test whether the online calculator would deliver a sample size that was acceptable, i.e. a sample in the region of 10% of 2096 equal to 210 would form the benchmark.

Generally choice of sample size is as much a function of budgetary considerations as it is statistical considerations and when they can be afforded, large samples are usually preferred over smaller ones Hill (1998). It is interesting to note that Hill (1998) created a standard scenario where 7 different formulae found in the literature for establishing sample size, were used. The result produced 7 different "required" sample sizes, with enormous spread (from a sample size of 35 through to 400 for the same research scenario). This outcome reinforces the view that there is no one accepted method of determining the necessary sample size Hill (1998). The level of confidence was chosen based on the comment by Hill (1998) who claims that a probability (or

significance) level of 0.05 has been established as a generally acceptable level of confidence in most behavioural sciences and that there is seldom justification in behavioural research for sample sizes of less than 30 or larger than 500.

In this study a confidence level of 90% was chosen to reduce the sample size to 184 due to time constraints in actually being able to conduct so many surveys. The total of 184 samples comprises 8.7% of the parent population of registered businesses in the region and is close to the 10% rule of thumb cited by Alreck & Settle (1995), considering that not all of the registered businesses are micro or small by definition.

An online sample size calculator was used to determine the sample size (Raosoft, 2004). Using the online calculator (Raosoft 2004) and entering a population of 958 micro and small businesses with a margin of error of 5% and a 90% confidence level the recommended sample size generated was 184. This is slightly less than the 10% rule of thumb of the quoted figure of 209 mentioned earlier but with a confidence level of 90% and considering the representativeness of proportionate stratified random sampling mentioned by Huysamen (1994), the sample size was considered adequate.

The business names were entered into an Excel spreadsheet. The businesses were then coded according to their type and a data sort was performed to derive strata for each category i.e. stratified according to categories of manufacturing, services, food, clothing, hardware and other. Each business in every strata was allocated an index number and a set of 184 random numbers was generated using a computerized random number generator obtained from the website www.randomizer.org/form.htm, for each strata. The random numbers were then corresponded with the index number and used to select the sample. Non-selected businesses for each stratum were taken off the list.

Of the one hundred and eighty four businesses, 18 could not be traced, 17 had closed down, and 15 stated they were not interested or too busy, six were out of the specified

region, nine were franchises and 12 did not fall into other definitions of a small or micro enterprise.

Of the one hundred and eighty four businesses selected, 116 questionnaires were delivered and 99 reliable responses were eventually collected. The survey took 11 weeks to complete. Alreck and Settle (1995) dispute the logic that sample size is necessarily dependant upon population size. They provide the following analogy. Suppose you were warming a bowl of soup and wished to know if it was hot enough to serve, you would probably taste a spoonful which would be enough. Now suppose you increased the population of soup, and you were heating a large urn of soup for a large crowd. The supposed population of soup has increased, but you still only require a sample size of one spoonful to determine whether the soup is hot enough to serve, the assumption being that the population is homogenous.

4.5 Approach to the survey

The street locations were looked up on a map and the questionnaires were dropped off moving in a northward direction up the coast. The survey was done by visiting the selected businesses by means of walk-ins and explanations regarding the purpose of the study were given with a request for participation so that a personal commitment could be established from the respondents.

Interviews conducted were in the form of an introduction and clarification in respect of the purpose of the research followed by reassurance that information will only be used for purposes of research. A letter of consent as well as declaration confidentiality was issued to each respondent and signed by them. Assistance was offered where required. Questionnaires were intended to be collected personally by the researcher to allow for evaluation of any problems that the interviewee may have experienced. The purpose behind this approach was to be able to have some control over the quality of the responses as well as clarifying reasons behind choices made.

The collection time was set for two weeks however response times varied and it became apparent that some respondents were not keen on making the effort to meet the two-week response time as some respondents felt the questions were difficult to understand. The initial intended orderliness of being systematic soon dissolved as patterns of visits became more erratic due to the unavailability of some respondents at certain times. Phone call follow-ups were made regularly to find out how respondents were progressing or if they needed assistance.

The reason for personally visiting respondents as opposed to using a mailing system was to determine that the business in fact existed and also to ensure a better commitment to completing the questionnaire through personal contact and assistance. A personal introduction and motivation for the research helped put people at ease and increased cooperation. A verbal overview of the topic of the survey as well as the purpose behind it was given to the respondents. This introduction removed the first perceived threat by some respondents receiving a postal questionnaire and making assumptions about it and or deciding to ignore it. Some respondents assumed the author was from SARS and needed to be reassured that they were merely part of a research study for academic reasons.

The importance of quality responses was not negotiable and 40% of the questionnaires required a revisit to the respondent to attempt questions which were left unanswered. The revisits made the survey more costly and time consuming however the quality was not compromised and the opportunity for further questions about responses was made possible.

Personal collection of the questionnaires offered the opportunity for a brief check to ensure that the questions were understood and that every part of the questionnaire was completed. As questionnaires were completed, the responses were entered into a

database using Microsoft Excel to enable data sorting and then coded to ensure uniformity and capacity for analysis.

A final reason for selecting the personal approach to the survey was to be able to meet business people and to glimpse the environments they operated within as well as the opportunity to acquire a feel for their problems, mood and attitudes. This turned out to be an interesting experience given the variety of businesses. One respondent claimed not having to spend any time doing marketing, operations, finances or human resources management as his business managed itself.

4.6 Research questions

Initially questions were designed to ask for general information about the business and then became more specific in focusing on the extent of entrepreneurship and skills/knowledge aspects. General information sought covered areas such as the age, nature of the business and how the respondent managed their business. Working hours and knowledge about their markets and customers were questioned.

The design of the questions aimed to extract information pertaining to the extent of entrepreneurial traits and behaviours and secondly to establish the extent of knowledge and knowledge in areas of management expertise as well activities that were avoided or received minimal attention from respondents. The approach by the author was that areas that received little or no attention in terms of time and energy, would be where business knowledge and skills were low or lacking.

Questions dealing with entrepreneurial traits compelled the respondent to make choices by selection the words and/or behaviours that described them the most. Descriptions of traits and behaviours were not always opposites and were phrased not to be tempting or attractive as perceived by the respondents.

Words indicating entrepreneurial and non-entrepreneurial traits/behaviours were taken from those covered in the literature review.

4.7 Analysis of information

The responses were analysed using frequencies of responses to establish relationships and then comparing these findings to previous research.

Once the survey data had been collected it was entered onto a Microsoft Excel spreadsheet and coded for so that responses could be translated into quantitative figures where applicable. The data was sorted by type to allow for frequency counts. Tables were then drawn up showing summaries of data and this is presented in chapter 5 where each category of finding is presented, observed and interpreted.

Raw data was copied from the questionnaires into a Microsoft Excel (2003) spreadsheet with specific headings for each variable used. Each respondent received a numerical number from one to 99 for reference purposes. Responses were coded as ones or zeroes and the variables that asked for rankings were numbered from one upwards. To measure the columns for frequencies of similar results the data was sorted and totaled, according to similar categories. Comparisons were then done between variables to assess their relationships and establish the extent of presence of those traits indicating entrepreneurial presence.

4.8 Receptivity levels of participants

The respondents showed a surprisingly positive attitude to the questionnaire. Of the one hundred and sixteen questionnaires delivered seventeen owners said they were not interested.

Four respondents insisted on filling in the questionnaire immediately in the presence of the researcher and one respondent delivered the questionnaire back personally to

the researcher. Most respondents filled in the questionnaire in a shorter time than expected and about 30% went over the two-week time limit. The collection period was shortened to one week towards the latter part of the survey in an attempt to speed up the cycle time for collection. Some respondents were suspicious and assumed the researcher was from the receiver of revenue or was conducting an audit. Twelve respondents were visited seven or more times before they filled in the questionnaire.

Some respondents did indicate they did not have time however with some persuasion changed their minds. Others were resolute and point blankly refused to take part. The latter response fortunately occurred very seldom.

The general impression gained was that the closer to Durban the survey was done, the quicker the response time and willingness to participate. One respondent decided to fill in only the first page after many weeks of failing to fill in the questionnaire. The facility of being given time to complete the questionnaire in their own time increased the willingness of the respondents to take part. The face-to-face support approach was valuable in terms of ensuring completion of the questionnaires and gathering extra information.

4.9 Conclusion

The development of the survey tool required insight into the nature of entrepreneurship and recognition of the fact that the presence of personality traits was being monitored. This can never be a quantitative exercise in the sense that one cannot for example measure what amount of vision an entrepreneur has except by seeing the outcomes or results of their efforts and answering qualitatively in terms of yes or no or extensive, present or lacking. This means that although hard counts were done on responses to questions the conclusions drawn may at best be qualitative assumptions about the existence or absence of personality traits within persons questioned. The

survey tool managed to extract the data required but took longer to finalise in terms of collection.

CHAPTER 5

PRESENTATION, OBSERVATION AND INTERPRETATION OF RESULTS

5.1 Introduction

This study used descriptive statistics as the means of presenting results and in this chapter the results of computations from the questionnaires are investigated through a process of presentations, observations, interpretations and conclusions.

The chapter consists of three sections namely, business profiles, extent of entrepreneurship and extent of business knowledge and skills. The chapter ends with an overall conclusion. It is important to note that due to the number of responses being 99, the use of percentages and or number of responses are used interchangeably i.e. are the same.

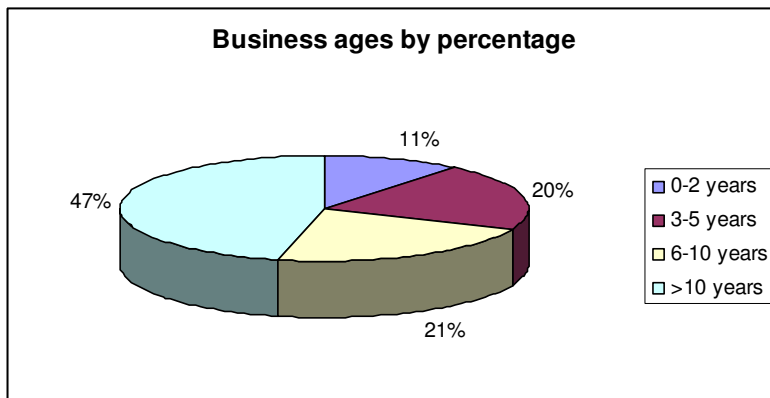
5.2. Business profiles

5.2.1 Introduction business profiles

In this section three aspects of the businesses surveyed were explored namely the age of the businesses, the number of business start-ups that the respondents had undertaken and the types of businesses surveyed. Presentations of the data are followed by observations and interpretations and a conclusion. Figure 5.1 shows an age profile of the businesses surveyed. The motivation here is to illustrate the cross-section of the sample that was surveyed and show some of the demographics of these businesses.

5.2.2 Observations and interpretations – business profiles

Figure 5.1: Ages of businesses surveyed by percentage



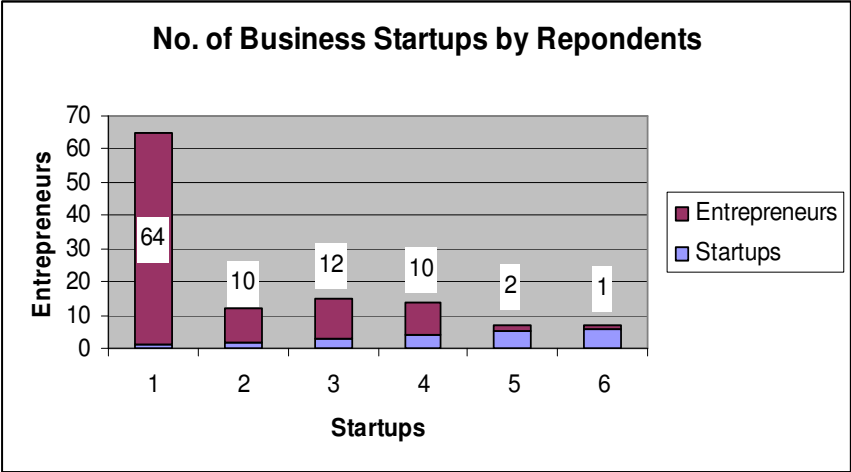
Observation: The largest percentage of businesses, namely 47%, had existed for more than ten years indicating some form of stability and sixty nine percent of businesses had survived past the critical attrition period of 0-5 years, during which the largest percentage of business ventures fail.

Interpretation: The figures need to be seen in isolation, as the number of micro and small business failures in this area was not investigated. This information is given as background to the region surveyed. One interesting aspect in the findings is that the businesses appear to be fairly old with almost half being over ten years and 69% being six or more years in existence. It may be that there is limited competition in the area surveyed due to the coastal / semi rural demographics of the area.

Number of business startups

Figure 5.2 shows the number of business start-ups by respondents. The average number of start-ups for this survey was close to two.

Figure 5.2: Number of business start-ups



Observation: 64 of the respondents had started one business and the remaining 35 had started between two to six businesses. Of the 35, the average number of startups was three.

Interpretation: The number of startups is low and indicates a limited tendency to see opportunities which does show a high level of entrepreneurial presence and may support the findings of seeing an opportunity as shown in Figure 4.

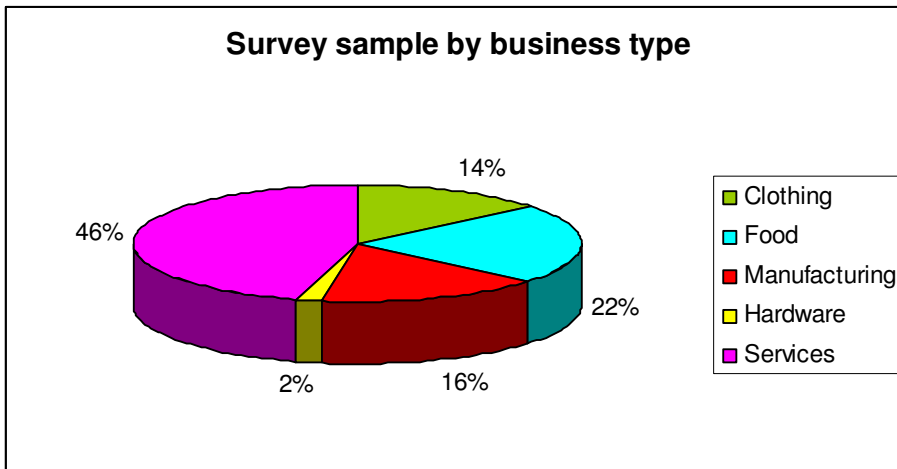
Business categories surveyed

Figure 5.3 shows the percentages by type of businesses surveyed from a total of 99 respondents. Refer to Appendix A for a breakdown of the types of businesses in terms of their types i.e. services, food, clothing, hardware and manufacturing. The percentage of service businesses is high and is probably related to the holiday resorts in this area.

Categories of businesses surveyed by percentage

The business categories were grouped into five types namely, manufacturing, services, food, clothing, hardware as shown in Figure 5.3.

Figure 5.3: Categories of businesses surveyed by percentage



Observation: Almost half of the sample (46%) turned out to be service businesses and the categories of food, clothing and manufacturing made up nearly the balance with the exception of hardware which formed a minority of 2%.

Interpretation: This profile serves more as background to the study and the only aspect worth mentioning is that the large portion of service-focused businesses may be a result of the coastal (holiday) environment in the region surveyed. A list of descriptions of the businesses surveyed is shown in appendix A.

5.2.3 Conclusion – profiles of businesses

In terms of business ages, number of start ups and types of business it appears as though the characteristics of the businesses may be summarised as being stable in terms of longevity. The large percentage (64%) of owners that had only started one business is surprising and indicates a lack of entrepreneurial tendency of being

opportunity recognisers. This is shown in Figure 4 where only 30% of responses chose seeing an opportunity as their highest priority for starting up.

5.3 The extent of entrepreneurship

5.3.1 Introduction

The purpose of this section was to present the findings from the survey and make observations and interpretations of the findings. Use was made of tables and diagrams to illustrate the findings. There are 3 parts to this section – the first deals with a general profile of the businesses surveyed. The second part of this section attempts to find the extent of entrepreneurship whilst the third part deals with the extent of business knowledge and skills found from the survey.

The analysis focuses on various comparisons by assessing the frequencies of choices with the same responses by the respondents. The first analysis determines the extent of entrepreneurship. This required a determination of the frequencies of the variables reflecting entrepreneurial traits and is expressed in qualitative terms i.e. high or low or insignificant. Factors explored covered motivations for startups by priority, personality traits and then behaviours in terms management practices.

5.3.2 Possible motivators for starting a business

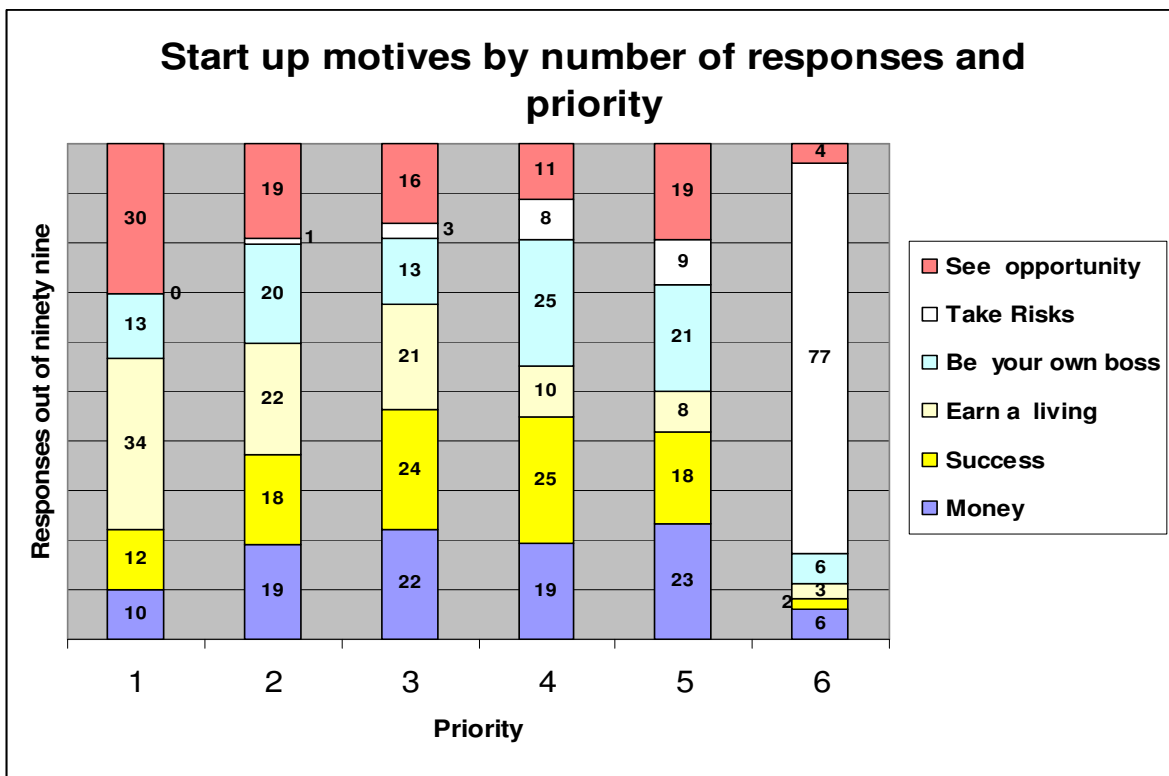
- Money
- Success
- Earn a living
- Own boss
- Take risks
- See opportunity

Observations & interpretations

Reasons for starting a business:

Figure 5.4 shows responses given for motives for entrepreneurs wanting to start a business. Descriptions of motives for starting are listed in the legend on the right and the number of responses appears in each block. Priorities appear on the horizontal x-axis. The easiest way to assess the information visually is to look at each column in isolation and then compare the numbers of responses for each priority.

Figure 5.4: Business start-up motivators by number of responses and priority



Observation: The highest priority level one motive for starting their own business was to earn a living (34%), followed closely by seeing an opportunity (30%). Money, success and autonomy were less popular reasons and taking risks was not chosen by anyone as a number one priority reason for start-up. It is worth noting that being one's own boss and success were rated more often than money, in the first column.

As a level two priority the responses were almost equally distributed with the exception of risk taking with only one response. As the priority levels drop from one to six the risk element receives more responses. As the priority level drops the motive of seeing an opportunity decreases in number of responses.

Interpretation: Responses given as money for a business startup motivation agrees with researchers opinions such Zimmerer & Scarborough (2002) and Van Aardt & Van Aardt (1997) that entrepreneurs do not start businesses for direct financial gain but see profiteering as outcomes rather than motivators. Only 10 out of 99 felt this was the highest priority for a startup. Success, as a level one priority only received a 12% response, yet is cited by researchers as a high entrepreneurial motivator. The score does not reflect a high presence of entrepreneur characteristic.

Earning a living (34%) showed as the highest priority given for starting a business. This may be attributed to the survival instinct. Earning a living is not cited by authors as an entrepreneurial characteristic and the extent of entrepreneurship is not strong here.

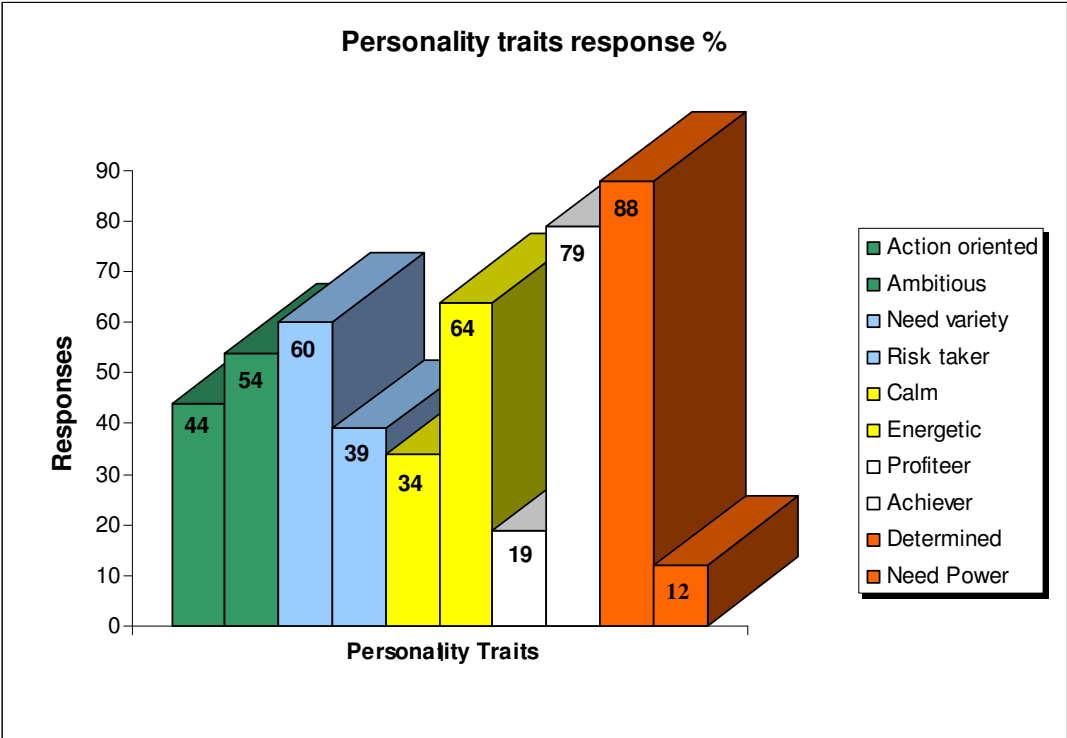
The low ranking for risk taking is significant as it corresponds with findings that entrepreneurs take moderate risks and 77 out of 99 respondents ranked it as their lowest motive for wanting to start a business. A strong entrepreneurial characteristic is shown here.

Seeing an opportunity, 30 responses is the second highest top priority showing a limited presence of entrepreneurial motivation for starting a business. Most authors cite entrepreneurs as opportunity seekers. Some presence of entrepreneurship appears to be present in the respondents but is low.

5.3.3 Personal behaviours and traits

The next section of the questionnaire required respondents to select the word that they felt described themselves most in order to establish the presence of certain entrepreneurial traits. To minimize the element of bias, the words were grouped in pairs so that where possible, they did not appear as substitutes or were perceived as correct choices. Each pair is shown in Figures 5.5 and 5.6 and interpretations are made about each pair. The score that was preferred out of every pair shows the stronger personality trait.

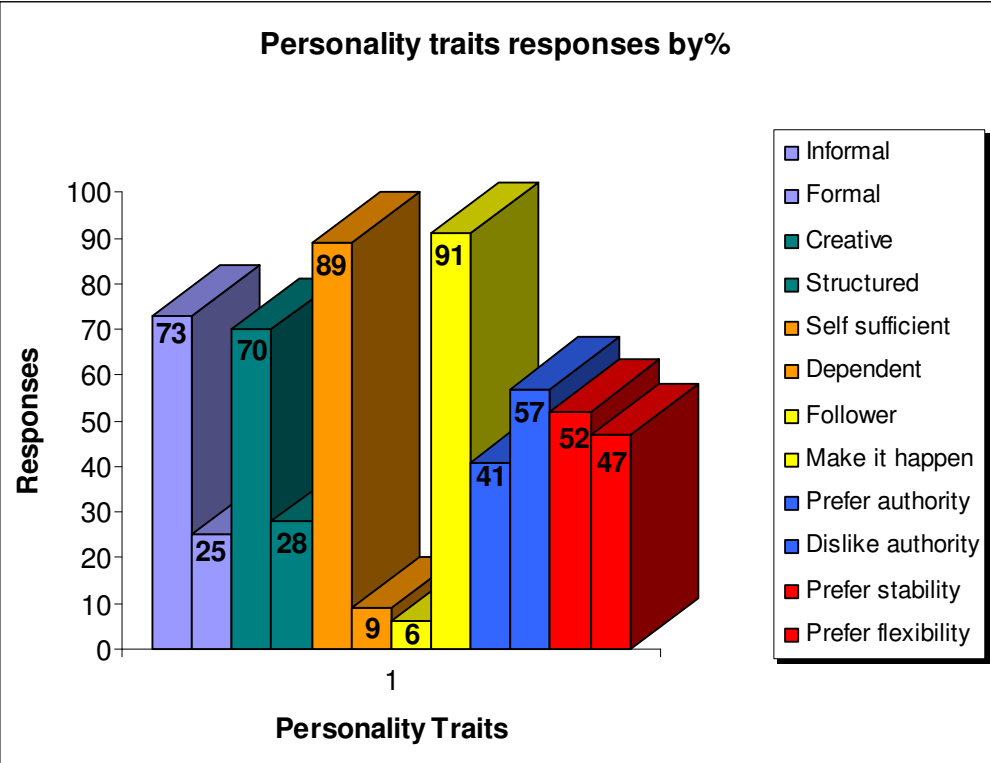
Figure 5.5: Personality traits



Observation: The traits that emerged as preferred choices were ambitious, needing variety, energetic, achiever and determined. Determination, energetic and achieving were highly popular choices by respondents.

Interpretation: There seems to be a leaning to the presence of entrepreneurial traits here, however choices were not always straight forward as is the case with action vs. ambition where both could be seen as entrepreneurial traits – hence the almost even split in responses. The high difference between profiteering and achievement is worth noting and indicates a high importance attached to being successful. When looking at Figure 5.4, success was not popular as a high level reason for starting a business, scoring 12% as a number one priority for starting-up.

Figure 5.6: Personal behaviours and traits



Observation: The stronger personality traits were, a preference for informality, creativeness, being self-sufficient, making things happen, disliking authority and preferring stability.

Interpretation: This part of the questionnaire was much easier to answer than the previous set of question pairs in the sense that choices were opposites of each other.

The entrepreneurial traits show up very strongly with large variances in each paired choice with the exception of the last two pairs where a more even split was shown for preferring or disliking authority and stability. Authors describe entrepreneurs as being flexible and adapting to unstable conditions easier than non-entrepreneurial types. Generally the trait choices chosen in this question are indicative of entrepreneurial presence, the exception being that of preferring stability.

When comparing the preference for being self sufficient (autonomy), with a dislike for authority there is some entrepreneurial presence, however the preference for authority would have been expected to be lower than 41%.

The first two pairs of responses show strong positive relationship where informal and creative scored 73% and 70%, respectively and formal and structured scored 25% and 28%, respectively. A strong set of entrepreneurial traits are shown here, i.e. preferring informality and creativity.

5.3.4 Strategic focus

Respondents were requested to choose between two activities namely what they felt they spent more time on. The purpose of the question was to develop an indication of the strategic focus of the owners. Table 5.1 reflects the responses.

Table 5.1: Strategic focus

Area of focus	Percentage
Present operations	67
Future opportunities	32

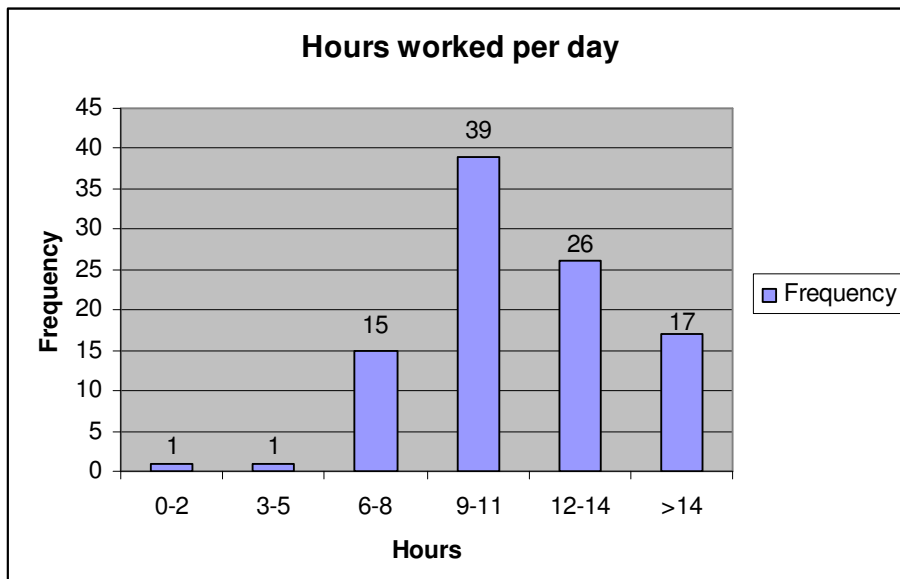
Observation: In this area of operation the owners claim to spend more time managing their businesses as opposed to seeking opportunities into the future.

Interpretation: Time constraints may be the main cause for this response showing a lower score for seeking opportunities for the future, as most micro and small business owners/ managers perform a range of tasks in their businesses, often leaving little time for strategic input. Entrepreneurs generally occupy themselves with opportunities for the future and this trait is not strongly evident. When compared to responses seeking for a vision for their businesses, the responses were in the high majority i.e. in having a vision. There seems to be a degree of conflict where 92% claimed to have a vision yet only 32% felt that they were spending more time looking for future opportunities.

5.3.5 Time allocation and hours worked

The survey required respondents to allocate the number of hours they spent on four management disciplines namely finance, marketing, human resources and operations management. Hours worked per day were also surveyed to determine alignment with other author’s findings. Figure 5.7 shows hours worked per day.

Figure 5.7: Hours worked per day

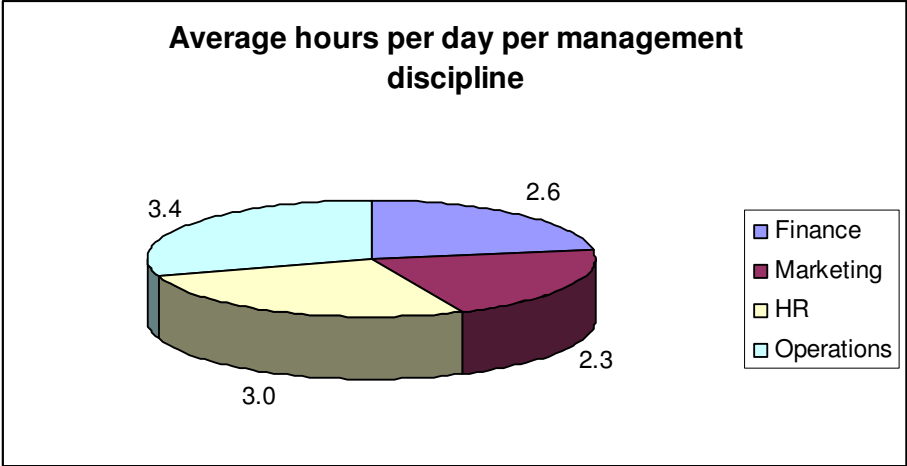


Observation: The most frequent response showed 39 out of 99 owners worked between nine and ten hours per day. However, 43% of responses showed more than 11 hours per day.

Interpretation: Based on a five and a half day week the average hours spent working would mean a weekly average of 52 hours that supports other researchers that claim entrepreneurs spend on average 50 to 60 hours working per week (Zimmerer & Scarborough, 2002). The work hours above, reflect entrepreneurial behaviour. Zimmerer & Scarborough (2002) also mentions that the average number of working hours per week had risen from 51 to 56 from 1991 to 2002.

Figure 5.8 shows the average hours spent on four management disciplines namely, finance, marketing, human resources and operations, per day.

Figure 5.8: Average hours per day by management discipline



Observation: Time spent on management functions showed an almost equal distribution of hours allocated to each discipline. Marketing received the lowest time expenditure followed by finance. Human resources management received the highest attention, followed by operations.

Interpretation: Respondents felt that human resources were taking up too much of their day and was seen as time sacrificed for other more “operational” aspects of the business. The average working hours per day was claimed to be 11 hours. This compares to research by Peña (2002) where it was found that entrepreneurs spend a large amount of hours (i.e. 50-60 hours) per week on business activities.

It needs to be noted that when respondents were asked to allocate time to the business functions in terms of hours per day the average hours was 60,5 compared to 52 when allocating hours per day only. This may mean that when the focus was increased in terms accounting for time spent that a more realistic figure was given. In summary the results show that the average working hours are between 52 and 60,5. Again this is supports other research findings.

5.3.6 Energy Levels

To determine their perceived energy levels respondents were asked to indicate a range of energy levels ranging from low to above average. Table 5.2 reflects the responses.

Table 5.2: Energy levels

Energy level	Percentage
Low	0
Below average	2
Average	45
Above average	53

Observation: Energy levels ranged from low to high with the majority claiming to have above average levels of energy. Only one respondent claimed to have a below average energy level and none felt theirs was low.

Interpretation: This supports the literature claiming most entrepreneurs having high energy levels however an element of subjectivity may be present as some respondents claiming to have high energy levels took a long time to respond to the questionnaire and did not appear to be energetic. When compared to Figure 5.6, 64% of respondents answered they were energetic people however it cannot be quantified how energetic they actually are.

5.3.7 Growth in number of employees

The survey questionnaire required owners to give the number of employees at startup as well at the time of the survey. The reason for this is to use employee growth as an indicator of the ability of the entrepreneurs to grow their businesses. The following Table 5.3 shows the results.

Table 5.3: Academic qualifications and employee growth

Academic Qualification	% Growth in employees
Degree	72%
Diploma	62%
Matric	87%
Std 9	39%
Std 8	37%

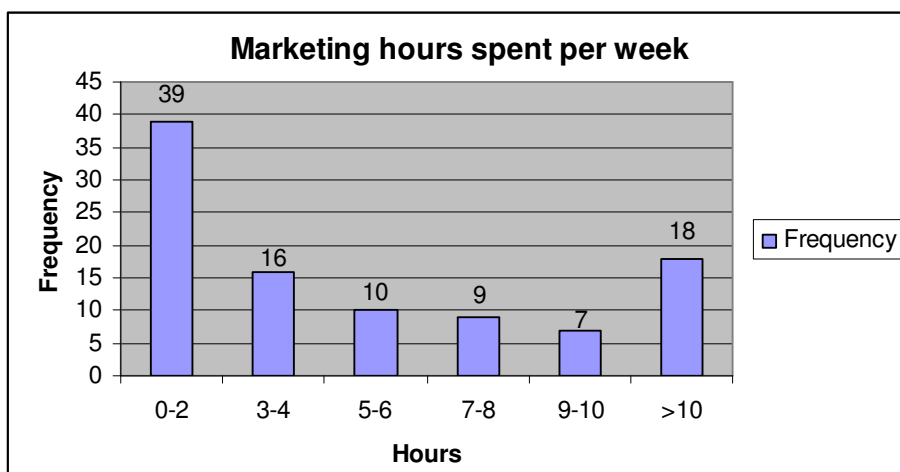
Observation: Eighty percent of the businesses had grown in the number of human resources since startup.

Interpretation: Generally it appears that the higher the academic qualification the higher the growth in employees with the exception of matriculants who show the highest growth rate. There is no valid explanation for the high growth rate where matriculants are business owners. Over 80% of businesses had grown in number of employees indicating the presence of entrepreneurial ability to grow businesses.

5.3.8 Marketing and entrepreneurship

Marketing was cited by researchers such as Hill (2001) and Timmons (1990) as a focus area for entrepreneurs and in this research the extent of time spent on marketing activities was surveyed. Hours spent on marketing was allocated by respondents using two approaches. Firstly the questionnaire asked for hours spent per week on marketing and are shown in Figure 5.9 and secondly in another question the amount of hours spent on four management disciplines namely, finance, operations, marketing and human resources, per week. The marketing hours were extracted and shown Figure 5.10.

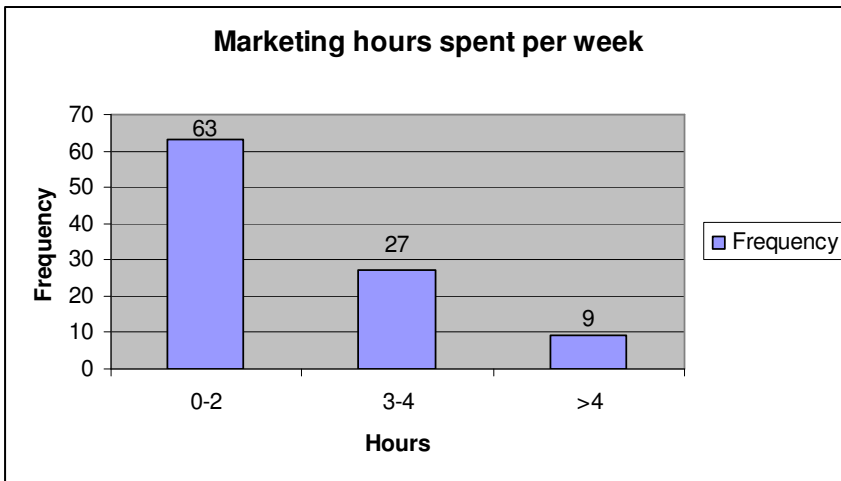
Figure 5.9: Marketing hours per week



Observation: Fifty five respondents claimed to spend up to 4 hours per week on marketing when asked to allocate hours without considering the other management disciplines such as finance, human resources and operations management, Figure 5.8.

Interpretation: The marketing focus shows 55% of respondents spending 4 or less hours per week on marketing activities. This does not indicate a high marketing focus.

Figure 5.10: Marketing hours per week



Observation: When respondents were asked to allocate time to four management disciplines namely finance, marketing human resources and operations the marketing focus diminished and 90 respondents spent four hours or less on marketing per week. The number of responses therefore increased from 55% to 90% for four or less hours every week. Put differently, the average hours per week dropped from 4,8 to 2 hours per week.

Interpretation: When seen in isolation the number of hours allocated to marketing activities was on average much higher i.e. 13 compared to 4,5 per week average when other disciplines were allocated time. This indicates some bias when the number of hours has to be accounted for. The 4,8 hours per week may also have been inflated and it appears that the focus on marketing is low. When compared to the time allocation in Figure 5.10, there is a large variation when hours were allocated to various management disciplines on a daily basis i.e. 2.3 hours were allocated per day. Previous researchers show that entrepreneurs have a high market focus and the above results do not show the energy expected.

5.3.9 Customer focus

Table 5.4 shows responses when asked for the approach used to find out what their customers wanted. The reason for this question was to determine another perspective of their marketing mindset.

These results show the number of ways respondents used to find out what their customers wanted. Only the first two activities indicate a customer focus. Respondents were allowed to choose more than one activity.

Table 5.4: Customer focus

Activity	Responses
Do surveys	4
Ask them	58
Put myself in their shoes	32
Not sure	1
I know	13
Sales tell me	31
Look at the records	23

Observation: It appears that sixty two percent of respondents personally interacted with their customers in terms of customer needs identification, thus showing a proactive, interactive approach. The other activities were reactive ways to determine what customers were buying but not necessarily if that was what they wanted.

Interpretation: Respondents seem to have proximity to their customers and a marketing mind set appears to be present here. When observing time spent on marketing activities in Figure 5.10, the amounts of hours were negligible. There did not appear to be a high focus on determining customer needs from the responses in Table 5.4.

5.3.10 Vision

Respondents were required to respond to having a vision for their business and percentages are shown in Table 5.5.

Table 5.5: Having a vision

	Percentage
No vision	7
Have a vision	92

Observation: Out of 99 respondents, 92% percent claimed to have a vision for their business.

Interpretation: A high level of entrepreneurship behaviour is shown here however when asked what their vision was most could only say they wanted the business to grow and were uncertain about how they would go about it.

There was no evidence of any strategic focus. The presence of this trait may be questioned in terms of its existence. Respondents did not find it easy to describe their vision in any detail nor how they were setting about achieving their vision. It seems as though very little strategic planning occurred within the businesses surveyed. The futuristic orientation of the survey sample seems to be near to non-existent.

5.3.11 Internet usage

Responses were surveyed in terms of the use of the internet to determine how many owners used the internet and what they used it for, in Table 5.6.

Table 5.6: Use of the internet

	No. of responses
Not use Internet	55
Use Internet	44
Internet for Marketing	12 out of 44
Internet for Banking	30 out of 44

Observation: Out of 99 respondents 44% used the internet for their businesses and twelve of the forty four used the internet for marketing. Most people using the internet used it for banking purposes i.e. 30 out of the 44.

Interpretation: The use of the internet for marketing purposes appears to be very low where only 27% of internet users actually applied the internet for marketing purposes. This again translates into only 12% of the total sample using the internet for marketing or advertising. This indicates a low focus on marketing. Again referring to Table 5.4, dealing with customer focus, the findings show a low marketing orientation. Some respondents gave the impression that they felt no need to spend energy on marketing.

5.3.13 Conclusions for extent of entrepreneurship

There are discrepancies when looking at the extent of entrepreneurship displayed by the respondents. Personality traits indicate a high presence of entrepreneurship whilst actual behaviours showed an absence of entrepreneurial presence. The study is therefore inconclusive and further research is necessary.

A study by Katz (1994), of self-employment follow-through strongly suggests that more people start businesses through unintentional processes than through intentional processes. This means that preparation seems to have little impact on "entry" and that pursuing opportunities leads more people to enter self-employment than to enter it

based on formal education as a motivation. The small percentage of 10% of qualifications relating to the types of business pursued, in this study, appears to support the above findings.

The results of this research appears to support the above research i.e. the high incidence of seeing an opportunity by the entrepreneur yet at the same time the relatively low level of formal education in the particular fields of management business knowledge and skills leads to the assumption that many people managing their own micro and small businesses did not do so as an extension of their knowledge acquired academically but were rather driven by determination and seeing opportunities.

Secondly, in determining the extent of entrepreneurship existing in this region the findings indicate that more than half of the sample showed entrepreneurial traits but not in all the traits surveyed and the effects of bias and projection need to be taken into account as certain behaviours from respondents were inconsistent with those of high performers.

5.4 Extent of business knowledge and skills

5.4.1 Introduction

In this part of the survey the extent of business knowledge and skills was explored.

Aspects surveyed included:

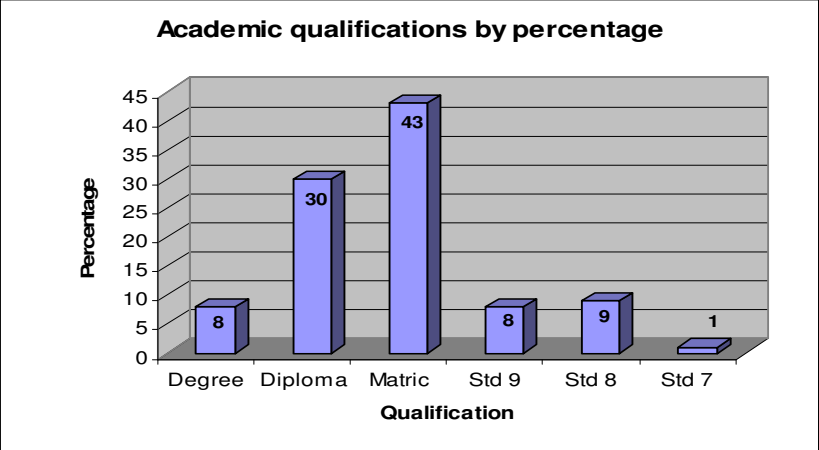
- Formal education by qualification and frequency.
- Management disciplines in respect of difficulty, importance and need.
- Use of personal computers.

5.4.2 Formal education

The survey questionnaire requested candidates to give their academic qualifications. These ranged from university degree level to Standard 8. The frequencies of choices

are shown in the diagram below. A comparison was done to assess whether formal qualifications related to the type of business being managed, as well as number of startups and the age of the business. Figure 5.11 reflects the levels of academic qualifications and how many respondents are qualified at each level.

Figure 5.11: Percentages of academic qualifications by type



Observation: Of the respondents nine had degrees with one degree being financial. Four out of nine degrees were directly related to the type of business being managed. Of the 29 respondents with diplomas 12 diplomas were business management related. Six out of 29 diplomas were related to the type of business the owner managed.

Of the 99 respondents, 13% had a business management related degree or diploma. Of the 99 respondents, 15% had a tertiary qualification that was related to the type of business they were in.

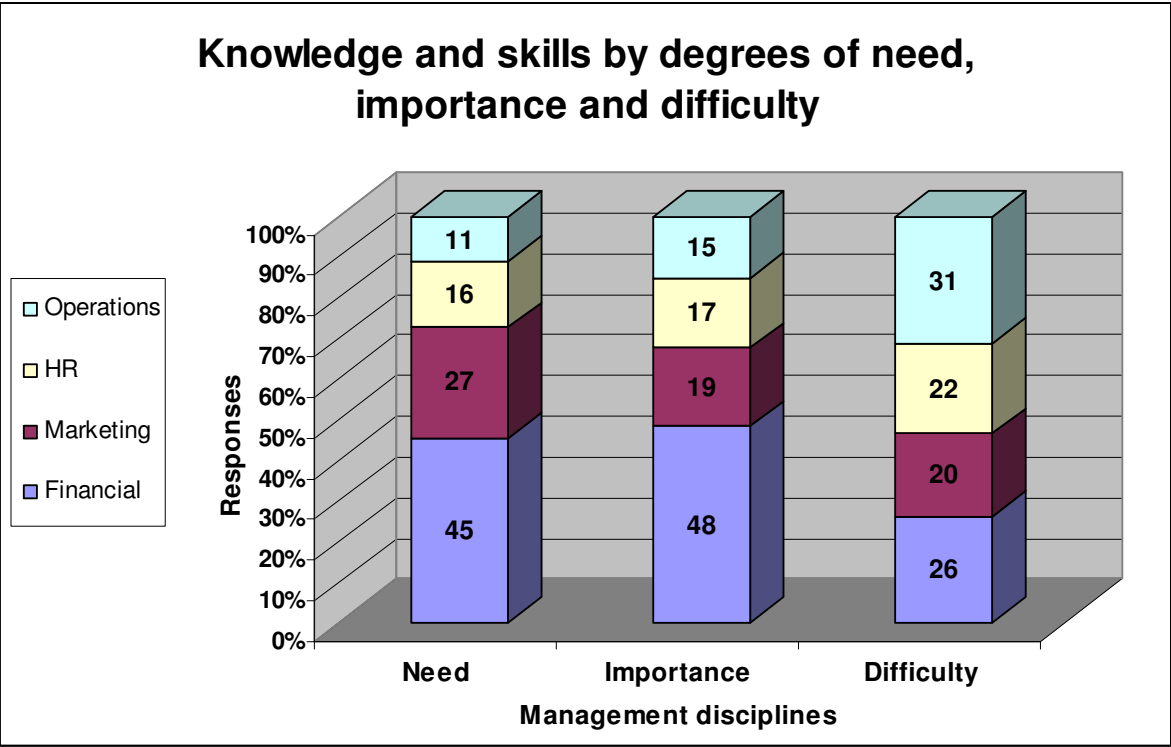
Out of 99 owners, four people had a degree that related to their business i.e. there had been a prior knowledge investment. When added to the people with diplomas the total related tertiary qualification level was 10% of respondents. In other words 10% of the respondents had a tertiary qualification that related to managerial/business knowledge.

Interpretation: These figures show that the professional knowledge investment was alarmingly low, however research by Katz (1994) showed that the acquisition of qualifications were not necessarily related to the pursuance of entrepreneurial efforts. The percentage of academic qualifications present in the survey correlates with the findings of Nieman (2001) where the percentage was found to be 15,5%.

5.4.3 Business knowledge and skills – degrees of need, importance and difficulty.

The questionnaire requested respondents to prioritise areas of business skills and knowledge in terms of need, importance and difficulty. Priorities ranged from one to four and percentages of responses are reflected in Figure 5.12. Responses were summarized for each category, namely need, importance and difficulty, to determine how the disciplines were perceived.

Figure 5.12: Business knowledge and skills in terms of need, importance and difficulty



Observation: Respondents rated areas where they felt they required more know-how according to different management disciplines with finances shown as the highest need, with 45%. Marketing is rated next highest in terms of knowledge required, at 27%, followed by human resources management, 16% and then operations management, 11%.

When responding in terms of importance, financial issues showed the highest score at 48%, followed by marketing at 19%, then human resources management at 17%, with operations management at 15%.

Lastly, when rating the disciplines according to difficulty, human resources was seen as the most difficult at 31%, followed by finance, 26%, then operations management at 22%, with marketing least difficult at 20%.

Interpretation: There appears to be a general lack of financial know-how and the applications of financial measurements in managing business. In two areas of the survey where finance is involved, respondents indicate both a need for skills and knowledge as well as rating finance as the most important but when responding to a degree of difficulty in matters relating to finance, respondents rated human resources management as the most difficult. It may be that because certain financial tasks are outsourced, the owner is not faced with those uncomfortable aspects and does not perceive them as a problem area.

Only six percent of respondents had a formal financial qualification. One of the possible reasons for financial management being rated as the most important may be attributed to its function of business performance measurement. The presence of financial business knowledge and skills seems to be minimal.

Marketing was rated second highest in terms of need and importance but then lowest in terms of difficulty. When relating to the low market focus highlighted in previous sections the need and importance appears to support the lack of energy in this discipline. The response appears controversial however, when looking at the low difficulty rating. It would be expected that when an area of knowledge is needed and is seen as important that some degree of difficulty must be experienced in the execution of its function. The low variance in ratings between need, importance and difficulty may indicate low priority perception by respondents. Only two respondents had a formal marketing qualification. The extent of marketing business knowledge and skills appears to be limited.

Human resources management is seen as a low need, which is typical of most micro and small business owners i.e. not seeing the value being added by acquiring more knowledge in this discipline.

It is interesting to note that despite rating human resource management as the most difficult part of management, it was also rated as the lowest in importance to the operation. Previous research, (Matlay, 1997) has shown the lack of focus on human development issues and this finding seems to support research where time constraints and a short term survival mentality were cited.

This is reflected in the traditional approach that human resources are not seen as critical value adding resources when compared to the production of goods and services which create wealth.

In terms of ratings 11% of respondents wanted to know more about managing their human resources and rated it second lowest out of the four areas of management expertise needed.

When questioned why respondents found the human resources area of management the most difficult the reason given was generally that with the complexity of current

labour legislation in South Africa managers felt handicapped in dealing with human resource issues. The general consensus was that it was easier to avoid problems such as absenteeism and poor performance than taking action and possibly ending up in the CCMA.

This attitude was compounded by the perceived volumes of paper work required to administer procedures in terms of disciplinary action and recording performance deviations. Managers felt that they could not cope with this part of their business performance very well and described it as uncomfortable and laborious. It appears therefore that the extent of human resource management knowledge and skills is low within the sample surveyed.

Operations received a low rating when needing skills and knowledge and this may due to the perception that people assume they are experts in their own field of technical work. The low priority given to operations in terms of importance may be attributed to this discipline being an area of expertise already.

All three parameters namely, need, importance and difficulty received low ratings. When questioned about the operation most owners felt they knew how to run the operation from technical and or production aspect. It is not clear why the importance of the operation was given such a low rating unless the paradigm was that in terms of need it was unimportant.

Marketing-related issues were singled out as the most important for business success, followed closely by financial issues, general management actions and lastly the impact of macro-environmental aspects on business activities. In addition, managers with some sort of qualification seemed to utilise opportunities more so than managers without some sort of qualification which is supported by research from Ligthelm & Cant (2002).

5.4.4 Business startups and academic qualifications

Table 5.7 compares the level of academic qualification with the number of business startups and average ages of the business surveyed.

Table 5.7: Qualifications, average number of start ups and average business age

Qualification	Average startups per person	Average age of the businesses
Degree	2	9.3
Degree or diploma	1.7	8.2
No tertiary qualification	1	6.9

Observation: The 38 respondents having a degree or diploma had on average 1.7 start ups per person. The eight respondents having a degree had an average of two business startups whilst the respondents with no tertiary education had an average of one startup. The business age shows a positive relationship to the level of academic qualification in each case. It seems as though the level of academic qualification has a positive influence on the number of startups as well as the age of the businesses. When comparing academic qualification to business, age it looks as though businesses where owners have a degree have on average been operational for longer than those with diplomas, who in turn have been in operation for longer than those with no formal academic qualifications.

Interpretation: It appears that there is a positive relationship between education level and the number of startups in the sense that those respondents with a formal tertiary qualification may have a greater propensity to start a new venture. This behaviour was cited in the literature review by Schamp & Deschoolmeester (1998) and is supported by (Ligthelm & Cant, 2002) who cite that managers with some sort of qualification seemed to utilise opportunities more so than managers without some sort of qualification

It is difficult to relate formal education levels to longevity of businesses and no literature was found to support this, therefore no assumptions are made between these two factors from the table.

5.4.6 Conclusions – extent of business knowledge and skills

In terms of achieving the aims of the study of determining the extent of business knowledge and skills that exist in the region surveyed, levels of business knowledge and skills appear to be low in areas such as financial management and human resources management as well as marketing management.

Operational business knowledge and skills did not appear to be an area of concern to the respondents as a shortage nor seen as important from a business knowledge and skills perspective. The use of the Internet and personal computers appears to be limited and the extent or ability to market electronically is therefore also limited.

When asked, 75% of respondents said they were prepared to sacrifice leisure time to learn more about business management skills.

Academic education was found to be limited in the sample and there was little evidence that the type of qualification supported the type of business the owner was in. The conclusion is that the impact of the qualification was low except in influencing the number of startups.

5.5 Conclusion

The extent of entrepreneurship was found to be present in the survey however there are conflicting indicators. Whilst behavioural aspects indicated a low entrepreneurial orientation, personality traits indicated a high presence compared to the definitions in Chapter 2. It may be that the area under survey has particular business demographics that affect the behaviours of micro and small business owners for example a lack of

competition together with the seasonality of the business cycles diluting the need for a high market focus as well as limiting growth requirements.

In terms of business knowledge and skills, the results show low levels both in academic and qualifications as well as in the various management disciplines with the exception of operational issues.

CHAPTER 6

RECOMMENDATIONS AND CONCLUSIONS

6.1 Introduction

This chapter summarises the findings of the research and concludes the outcomes of the research. Tables 6.1 and 6.2 show the summaries of the findings and conclusions of the research in two parts, namely the extent of entrepreneurship and extent of knowledge and skills, respectively, are made. Recommendations for improvements in the region surveyed are commented on and opportunities for academic institutions as well as training providers are discussed. A critique of certain aspects of this study is discussed with improvements for future research. The chapter closes with suggested areas for future research as well as how this field of study may be improved.

6.2 Summary of findings for extent of entrepreneurship

Table 6.1 shows a summary of the findings in the areas researched.

Table 6.1: Summary of findings - entrepreneurial extent

Indicator	Extent
Startup motivation	Low
Entrepreneurial traits	High
Entrepreneurial behaviours	Low
Internet usage	Low
Time spent	High
Marketing focus	Low
Energy levels	Inconclusive
Strategic focus	Low

6.3 Conclusion- extent of entrepreneurship

The extent of entrepreneurship shows varying results for different criteria and from the results it appears as though the existence of entrepreneurial traits is high, when considering the percentages recorded. When the behaviours of the respondents were surveyed the extent of entrepreneurship appears to be low. In terms of motivational reasons for starting up the entrepreneurial presence was limited. Marketing focus was not found to be very high in terms of hours spent and customer orientation nor in the use of the internet. The general conclusion is that there are low levels of entrepreneurial presence within the respondents surveyed.

Entrepreneurial traits whilst indicated in the survey as present were not supported by behaviours such as innovation, growth and achievement, as well as marketing focus, and the general impression is that micro and small business owners were largely dedicated to continued survival of their businesses on a reactive basis, with production forming the centre of focus.

The overall impression left after doing the survey was that micro and small business owners showed a lack of initiative considering aspects such as energy levels and that financial measurements for growth and profitability were less important than production.

When considering a desire to solve problems and attaining satisfaction from goal achievement according to McClelland (1987), the respondents in this survey did not indicate this as their highest need. The presence of innovation, which is what Schumpeter (1951) claimed to be the key ingredient in an entrepreneur, was not evident. The high need for independence and autonomy according to Ibrahim & Ellis (1990) is a high driver for people leaving executive careers and starting their own business and this need was displayed in the survey. Hours worked per week correlated

closely to previous research such as Peña (2002). The conclusion as to the extent of entrepreneurship remains debatable and inconclusive, therefore.

The limited energy spent on marketing activities indicates little futuristic orientation to growth and is supported by lack of vision and strategic planning which again may be the cause for the lack of growth by the businesses surveyed. It is encouraging to note that micro and small business owners were prepared to sacrifice leisure time to learn more about managing their entities and this may be an opportunity for support in training and development initiatives. Time constraints are an ongoing concern for the micro and small business owner and would require customized on-the-job development interventions. The durations for completing the questionnaire may also be taken as a general indicator of low energy levels.

6.4 Summary of findings for extent of business knowledge and skills

Table 6.2 shows a summary of the extent of business knowledge and skills displayed by the respondents.

Table 6.2: Summary of findings - extent of knowledge and skills

Area of knowledge and skill	Extent
Academic qualifications	Very low
Financial	Low
Marketing	Low
Human resources	Low
Operations	Medium to high
Internet usage	Very low

6.4.1 Conclusion-extent of business knowledge and skills

The extent of formal academic qualifications was found to be very low. Financial, marketing and human resources know how showed low levels of presence and Reasons for starting up in this study shows similar findings to Katz (1994), Schamp & Deschoolmeester (1998) where academic qualifications play a certain role on the confidence levels of entrepreneurial efforts. This is further supported by Ligthelm & Cant (2002).

In terms of business knowledge and skills the general indication is that both academically and from a business management skills aspect the extent was found to be limited in this survey, a phenomena which is supported by authors such as Nieman (2001) and Peña (2002). Matlay (1997) highlighted the neglect of investment in training and development in smaller firms and although 60% of owners in this study said they would be prepared to spend some of their leisure time on training and development, one wonders how much leisure time remains after a 50-60 hour working week. The lack of time and energy spent on marketing and financial as well as human resources management, together with the difficulty ratings in all but operations management, leave the perception that owners generally avoided or minimized their involvement in these management disciplines. The need for development in certain management functions shows that the extent of management knowledge and skills are low.

The overall conclusion is that from a formal and general knowledge perspective the extent of business knowledge and skills was limited, apart from the operational aspect of production know how.

6.5 Recommendations for improvements in the region surveyed

The lack of support systems for training and development is high in the region and owners are mostly left to rely on informal networking for information and improvements.

The only forms of support for the small business owner consist of lawyers, bookkeepers and accountants as well as a few information technology service providers. Business consultants for on-the-job development could not be traced. The low usage of the internet for competitor analysis and advertising may indicate a low perceived threat from competition. The above conclusions support other research and the plight of the micro and small business owners appears to be similar to that of their counterparts in other countries as cited by authors such as Storey (2000), Henry (2004), Curran (2000), Faris (1999), Ladzani & Van Vuuren (1999) and Jack & Anderson (2001).

Ibrahim & Soufani (2002) makes a distinction between courses offered on specific business functions such as accounting, marketing, finance and human resources, and entrepreneurial education which places an emphasis on decision making skills and this view is supported by Ladzani & Van Vuuren (1999). These skills are enhanced via case studies, mentorship and incubator programs. This does not undermine the importance of the functional skills but rather uses them as support for decision making. In the area under survey no providers of these types of skills and knowledge could be sourced.

Laforet & Tann (2006) cite the main constraints of SMMEs as customer dependency, skills and knowledge acquisition through training, poor learning attitude and networking because of their tradition of being insular and autonomous.

When the above issues are taken into account with the difficulty from a time constraint, as well as a lack of perceived benefit from training, it is not surprising that

entrepreneurial development interventions are generally not as easily offered nor accepted by both providers and recipients. This may form the basis for on-the job modular training, which is customized to specific customer needs. This type of intervention however requires extensive flexibility by the provider and is not part of the portfolio of academic institutions but rather that of consulting experts.

6.6 Critique of this research

This research may be criticised in certain aspects of which one is that the actual number of businesses not listed in phone books was not included in the sample design. The issue of subjective responses by candidates did appear in certain questions and question design may have been approached differently to minimize this effect. In chapter 2 we saw that respondents sometimes try to seek favour in the eyes of the researcher which affects the manner they answer questions (Ligthelm & Cant, 2002). From a time perspective the study took long to complete partly to the lengthy periods taken by some respondents and a firmer approach would have been preferred.

More questions should have been included in part B of the survey questionnaire so determine a more in-depth picture of the skills and knowledge absent in finances, marketing and human resources i.e. what aspects of these business disciplines do owners lack knowledge in. More information regarding competitors needed to be investigated as well as more measurements for business growth such as financial results.

On a positive note the sample design was satisfactory and the effort made to receive 99 questionnaires was worth the time invested. Conducting face to face interviews with the respondents ensured a higher response rate and the opportunity to query responses gave the researcher better insight than a postal survey would have achieved.

6.7 Recommendations for further research

It is proposed that future research on this paper include a more in-depth study of the levels of skills and knowledge in each of the generic business management aspects namely finance marketing, human resources and operations. It would be interesting to note what aspects of each of the management disciplines candidates needed more business knowledge and skills i.e. a more specialized focus is recommended.

The extent of entrepreneurship needs further research with extended survey tools that would allow for more conclusive analysis for determinations of entrepreneurial behaviours for example demonstrations of creativity / innovation as well as successful startups failures and growth rates in terms of profitability. Proximity to markets as well as networking abilities need to be explored further in terms of management attention and approaches to advertising may be included.

A further recommendation for future research is to assess need by type that the micro and small business owners require. To what degree do institutions and providers of training and development customize courses for micro and small businesses and do courses offered address the specific needs of entrepreneurial development or are they purely re-vamped management courses? Are entrepreneurs able to attend such courses and who offers them?

Development programs aimed at increasing the extent of entrepreneurship would need to take the form of on-the-job modules which could only be delivered at agreed times of the week and day so that minimal disruption to the operational aspects is achieved.

Finally, to what extent are the SME failures along the KZN Coast attributable to lack of business management skills and entrepreneurial know-how? This would make for an interesting study considering the demographics of the area. Further research may also determine the extent to which businesses are family owned and managed.

6.8 Issues that were beyond the scope of this research

The purpose behind this research was not to find or propose relationships between micro and small business failures compared to their levels of human capital. Furthermore, it was not the intention of this paper to establish or deduct any relationships between business skills and knowledge levels and business performance. The relationship between entrepreneurial extent and business success did not fall within the scope of this research.

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APPENDIX A: List of businesses surveyed by description

Type	Qty	Type	Qty	Type	Qty
Antique	1	Fencing	1	Optometrist	1
Baby Boutique	1	Florist	1	Painting / Renovating	1
Beach Buggies	1	Fresh Fish	1	Pawn Broker	1
Bed & Breakfast	1	Furniture	3	Pharmacy	2
Bicycle Repairs	1	Gift Shop	2	Pools	2
Biltong	1	Glass & Aluminium	1	Pottery	1
Block Making	1	Hair Salon	4	Pub	3
Builder	2	Hardware	1	Second hand shop	1
Business Consultant	1	Hawker	1	Security	1
Business Enterprise	1	Health Products	1	Shoes	4
Butcher	1	Health Services	1	Spices	1
Caravan Park	1	Herbal Surgery	1	Sport Shop	1
Chinese Restaurant	1	Home Improvements	1	Stationers	1
Cleaning Services	1	Instrumentation	1	Steel Supplier	1
Clothing	7	Interior Decorating	1	Supermarket	4
Computer Services	1	Investor	1	Surfshop	1
Curtains	2	Jewelers	1	Take Away	5
Day Care	1	Laundromat	1	Tearoom	2
Diving Charter	2	Locksmith	1	Toy Shop	1
Electrical	1	Lodge	2	Tuck Shop	1
Engineering	1	Maintenance	1	TV Repairs	2
Factory Shop	1	Motor Spares	2	Wheel Repairs	1
				Total	99

APPENDIX B: Survey Questionnaire Sample

Survey Questionnaire – Part A

(Please mark appropriate boxes with an X)

1. Name of Business _____

2. Nature of Business *(Please Specify)*

Services

Manufacturing

Clothing

Food

Hardware

Other

(Please Specify)

(Please Specify)

3. No of years the business has existed?

0-2

3-5

6-10

>10

4. What was the most important reason for starting this business? (Please rank the following in order of importance from **1 to 6**)

Money

Success

Earn a Living

Be my own Boss

Take Risks

Seeing an Opportunity

5. Which words best describe you?

Action Oriented

OR

Ambitious

Need Variety

OR

Risk Taker

Calm

OR

Energetic

Profiteer

OR

Achiever

Determined

OR

Need for Power

6. Which activity do you spend more time on?

1

Managing Available Resources

2

Seeking Opportunities for the Future

If you chose No 2, please explain how or what you do?

7. How would you describe your level of energy?

Low

Below Average

Average

Above Average

8. How would you describe yourself more as?

Consistent

OR

Flexible

If flexible, please elaborate in respect of customers needs being met etc.

9. Which description most accurately describes you?

Team Player

OR

Prefer to Work on my Own

10. Which term describes you the most?

Informal

Formal

Imaginative/Creative

Structured

Self-sufficient

Dependent

Let others make things happen

Make things happen

Prefer Authority

Dislike of Authority

11. How do you know what your customers want?

- I send out customer surveys
- I ask them
- I put myself in their shoes
- Not sure
- I know what they want
- The sales show me
- I look at the records

12. Do you have a vision for your business?

YES

NO

13. Can you describe the vision? _____

14. What are you doing to achieve this vision?

15. Do you use the internet for your business?

YES

NO

If YES, which of the following do you use the internet for?

Marketing/Advertising

Finding Suppliers

Banking

General Information

Analysing the Business

Other

16. How would you describe the market you operate in?

- Many competitors with very fixed prices
- Few competitors – high competitive
- Many competitors – flexibility
- Few competitors – with variable prices
- Not sure

17. Do you know who your competitors are?

YES

NO

18. How many hours per week do you spend doing promotion/marketing/advertising?

0-2

3-4

5-6

7-8

9-10

>10

19. How many hours do you work per day?

0-5

5-10

>10

20. Is your operation managed/run the same way as in the past?

YES

NO

Survey Questionnaire – Part B

(Please mark appropriate boxes with an X)

21. What academic qualifications do you have?

Degree	Diploma	Matric		
Std 9	Std 8	Std 7	Std 6	Std 5

22. If you have a degree or diploma or trade, please mark in which field of study?

Finance	Technical	Marketing
Operations	Human Resources	Other

(Please Specify)

23. How many hours per day do you spend on the following?

Financial Issues	0-1	2-3	>3
Marketing/Promotion	0-1	2-3	>3
Managing People	0-1	2-3	>3
Operations	0-1	2-3	>3

24. How is your business information stored or kept?

Computer	Manual Filing System	Other
----------	----------------------	-------

If Other, please explain in a few words _____

25. Is this the first business you started?

YES	NO
-----	----

26. If the answer is NO in Q26, how many businesses have you started?

1	2	3	4	5	>5
---	---	---	---	---	----

27. How many employees worked for you when the business was started?

1	2	3	4	5
---	---	---	---	---

28. How many employees are there today?

1	2	3	4	5	6-10	11-15	16-20	>20
---	---	---	---	---	------	-------	-------	-----

29. If you had the opportunity, which of the following areas of business would you like to have more knowledge about? Please also rank these from the **most to least** important to you, i.e No 1 is most important.

30. Please rank the areas of management in order of importance. **Number them from 1 to 4.**

Managing the Finances

Marketing your Product/ Services

Operational issues

Human Resource Management

31. Would you be prepared to sacrifice leisure/spare time to learn more about the above aspects mentioned in Q30 and Q31, e.g attending lectures offered in your area?

YES

NO

32. What aspect of running the business do you find most difficult? **Please rank these from 1 to 4**, i.e easiest to most difficult.

Human Resources

Marketing

Operations

Finance