EXECUTIVE SUMMARY

Research has shown that most start-ups close within three years of operating as a business. The failure of these start-ups is linked to the failure by the entrepreneurs running them to achieve what other successful ones have achieved (Finkelstein, 2003).

In 2008, South Africa ranked 23rd out of 43 countries, with a Total Early-stage Entrepreneurial Activity (TEA) index below the average rate (10.6%) of all participating countries. South Africa’s TEA rate of 7.8% was significantly lower than the average for all efficiency-driven economies (11.4%) as well as the average for all middle to low income countries (13.2%). South Africa’s performance in terms of relative position has, since 2001, consistently been below the median and this trend continued in 2008. The low TEA rate is at least partly attributable to a relatively high failure rate for start-ups, or the fact that they tend not to progress beyond the nascent level. However, Gauteng and the Western Cape remained among the most entrepreneurially active provinces within South Africa.

This report focuses on factors that determine entrepreneurial to success in their new ventures. To determine what these factors are, existing literature concerning the factors that enhance success of new ventures was investigated. Some of the factors highlighted in previous studies include education, entrepreneurship experience, business skills and training, and support from family and friends with business connections. External factors included the political and economic environment in which entrepreneurs operate. The external factors may enhance or inhibit entrepreneurship development and therefore the government of South Africa has put in place an integrated strategy to promote small businesses through various public support initiatives.

Empirical data was collected through what has been entitled ‘entrepreneurial success factors survey’ from 103 entrepreneurs based in Gauteng and Western Cape provinces with the view to try and determine what entrepreneurial attributes determine the success of new ventures in these provinces.

Results from the analysis of data collected from the respondents failed to prove the hypotheses. Nevertheless, some of the assertions in the hypotheses were partially proved and therefore the report could not fully and conclusively find correlations between certain entrepreneurial attributes and business success.
In conclusion, there were some entrepreneurial attributes that were shown to contribute towards entrepreneurial success. These included education, training and previous business experience. External factors were also shown to contribute towards entrepreneurial success. Access to finance was mainly mentioned in the survey as being critical to the success of any new venture.

Key words
Global entrepreneurship monitor (GEM), Small and medium enterprise (SME), Small micro and medium sized enterprise (SMME), Entrepreneur, Risk, Success, Failure, Working capital, Financial discipline, Total Early-stage Entrepreneurship Activity (TEA), Department of trade and Industry (DTI)
ACKNOWLEDGEMENTS

The writing of this research report and the associated data collection activities has been a process of great learning for me. I thank the Lord God almighty for seeing me through it all.

I would like to thank the following, without whom, the report would not have been completed:

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My wife Lydia and my three children Wana, Twatasha and Linda for their unwavering love and support during my MBA studies at the University of Cape Town. Without your support, this study would have been a near impossibility.
Plagiarism Declaration

1. I know that plagiarism is wrong. Plagiarism is to use another’s work and pretend that it is one’s own.

2. I have used a recognised convention for citation and referencing. Each significant contribution and quotation from the works of other people has been attributed, cited and referenced.

3. I certify that this submission is all my own work.

4. I have not allowed and will not allow anyone to copy this essay with the intention of passing it off as his or her own work.

MBA Fulltime

Signature: Puma

Date: November 2009
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1.0 Introduction

In 2008, South Africa ranked 23rd out of 43 countries, with a Total Early-stage Entrepreneurial Activity (TEA) index below the average rate (10.6%) of all participating countries. South Africa’s TEA rate of 7.8% was significantly lower than the average for all efficiency-driven economies (11.4%) as well as the average for all middle to low income countries (13.2%). South Africa’s performance in terms of relative position has, since 2001, consistently been below the median and this trend continued in 2008. According to the GEM data, a country at South Africa’s stage of economic development would be expected to have a TEA rate in the order of 13%, almost double South Africa’s actual rate of 7.8%.

In terms of new firm activity South Africa ranked 38th out of the 43 countries with a new business prevalence rate of only 2.1%. This is significantly lower than the average of 4.6% for all GEM countries and 4.9% for all efficiency-driven countries. South Africa’s low TEA rate is therefore at least partly attributable to a relatively high failure rate for start-ups, or the fact that they tend not to progress beyond the nascent level. However, Gauteng, KwaZulu-Natal and the Western Cape remained the most entrepreneurially active provinces within South Africa (GEM 2008).

The 2008 GEM report partly attributed South Africa’s low TEA rate to a relatively high failure rate for start-ups, or the fact that they tend not to progress beyond the nascent level. Given the above relatively poor performance of South Africa in terms of low TEA rate and the importance of entrepreneurs to the South African economy, it seems important to understand the factors that would help these entrepreneurs to succeed the first few years of ‘business life’. While the high failure rate of start-ups is an obvious interesting phenomenon to investigate, the reasons why others (start-ups or SMMEs) succeed, is an equally important subject. This report therefore is based on research (‘Entrepreneurial Success Factors Survey’) that sought to investigate the factors that help entrepreneurs to be successful in Gauteng and Western Cape provinces of South Africa.
1.1 Research Area and Problem

Small and medium-sized enterprises or businesses (SMEs) in general and new business start-ups in particular play a significant role in maintaining as well as creating a functional market economy especially as a means of stimulating competition, creating jobs and promoting economic renewal (Kessler 2007). The success of entrepreneurs that own these start-ups would therefore be considered important because, as Kessler argues, “the success of a new venture in the early stages results from the interplay of the founder’s personality, aspects of the start-up environment, certain start-up resources and essential decisions in the start-up process” (Kessler, 2007, 386).

Although there are many entrepreneurs who start operating businesses, very few graduate from start-up or ‘birth’ to become successful entrepreneurs owning businesses with more than 10 workers (Rogerson, 2000). Consequently, questions arise as to why some businesses succeed while others fail. The main question that this research report will seek to answer is “what factors determine the success of new ventures?” Focusing on literature that links the enterprise success to certain attributes and practices of the entrepreneur who owns or operates the business, this study seeks to find out what these factors are within the context of South Africa and specifically Gauteng and the Western Cape provinces.

Assenting to the suggestions by the 2008 GEM report, of the increase in the number of businesses that have closed in the recent past in South Africa, the Small Business Monitor (2009) also showed an increase in the number of business closures in 2008, with the trend expected to continue in 2009 (Blottnitz, 2009). Understanding what factors help entrepreneurs to succeed is therefore becoming increasingly important. In fact, the South African government realised the importance of a healthy SMME sector, especially relating to job creation, in the 1990s. The government has since embarked on many efforts and initiatives to try and encourage the growth of SMMEs (Porteius & Hazelhurst, 2004). More research in this area will therefore not only help policy makers to implement correct and workable initiatives meant to help SMMEs but will also help entrepreneurs themselves to have a better understanding of the factors that may enhance their chances of success.
1.2 Objectives of the Study
Specific research objectives are to:

- profile the attributes of entrepreneurs whose businesses continue to trade (survive) three years after set up;
- identify business practices that are common among successful entrepreneurs;
- identify problems encountered in operating a small business in the first three years following start up;
- to find out common reasons why businesses fail.

1.3 Research Questions and Scope
The specific questions that the research will seek to find answers to are as follows:

- What are the common attributes of successful entrepreneurs?
- What role did the background (education, business experience, family background, resources) of the entrepreneur play and how significant were these toward their success?
- Are specific entrepreneurial attributes linked to business success?
- What business practices are common among successful entrepreneurs?
- What role do external factors play in the success of entrepreneurs?
- What are the most common problems encountered in the first three years of business and how did the entrepreneur deal with them

These questions were based on available literature (discussed in Section 2 - ‘Literature review’) which suggests that there exists a set of factors that enhance the chances of success of entrepreneurs. These include social and family networks, education and training and leadership skills of entrepreneurs among others (Littunen 1998; Rogerson 2000).

To answer the above questions, the report will firstly determine the attributes common to entrepreneurs in South Africa and particularly in Gauteng and Western Cape and what role the backgrounds of these entrepreneurs played. Secondly, the report will seek to find out whether specific entrepreneurial attributes are related to success of business ventures. Thirdly, the report will examine the role that external factors play in the success of an
entrepreneur. Lastly, the most common problems encountered by an entrepreneur in the first three years of operating a business will be explored.

Further, the following hypotheses have been made:

Firstly,

- H0: the more business experience the entrepreneur has the higher the chances that they will succeed
- H1: there is no significant correlation between the entrepreneurs business experience and their chances of success in the South African context

secondly,

- H0: the social economic background plays a significant role in entrepreneurial success i.e. the more connected an individual is to family and friends with funds and or other resources, the more likely they are to succeed.
- H1: the social economic background of the entrepreneur plays no significant role in entrepreneurial success

thirdly,

- H0: there is a set of attributes and skills that an entrepreneur needs to possess for them to be successful
- H1: there are no attributes or skills needed by the entrepreneur for them to be successful

finally,

- H0: entrepreneurs have certain common business practices that contribute to their success
- H1: there are no peculiar common business practices that contribute to the success of entrepreneurs

In terms of scope, the report will primarily focus on attributes (such as education and training) and practices that are common to successful entrepreneurs. The psychological perspectives such as motivation and locus of control theories advanced by Littunen (1998)
are beyond the scope of this study. The study will not focus much on the enterprise in terms of asking what types of enterprises are most successful. Therefore, although the findings may show a higher rate of success in a particular type or size of enterprises, the main interest is on the entrepreneur (attributes and practices).

1.4 Significance
The significance of the study stems from the fact that the results and recommendations can be learned from and applied by current or aspiring entrepreneurs with the view to increasing their chances of success in business start ups. Learning and applying recommendations of this study does not amount to claiming that entrepreneurship can be taught. Rather, as Mullin (2009) suggests, there’s considerable evidence that it is possible to better equip those who choose to follow an entrepreneurial path to avoid at least some of the bumps, bruises and scars that are sure to come. Some of the practical recommendations of this report could prove to be useful given that they are based on opinions of real entrepreneurs in South Africa.

1.5 Research Assumptions
It was initially assumed that the access to the SEDA data base was going to be relatively easy for the purposes of sampling. It was also assumed that most of the small-scale entrepreneurs are registered with SEDA or provincial Chambers of Commerce and were therefore accessible by phone and e-mail. However this did not prove to be the case for SEDA as their database was outdated, with many entrepreneurs having changed addresses and thus not accessible. Therefore only the data bases from Provincial Chambers of Commerce were used to access entrepreneurs as discussed in the methodology below- section 3.2.

The second assumption was that most entrepreneurs would be willing to participate in the surveys given that the subject was one that was interesting to them and that the questionnaires were short (only took about 7 minutes to complete). However, there was a low response rate from potential respondents (entrepreneurs) to whom the electronic survey questionnaire was sent.

1.6 Research Ethics
Because the study involved human beings and their businesses, strict adherence to the ethical research policies of the University of Cape Town was observed. The University encourages and supports research in a wide range of human sciences. In the exercise of this task it strives for a just distribution and a responsible utilization of resources and of the benefits of its
research in the interest of South African society and the human condition as a whole. This means that the University of Cape Town sets itself the aim of doing research:

a. With scholarly integrity and excellence
b. With social sensitivity and responsibility
c. With respect for the dignity and self esteem of the individual and for basic human rights
d. With reference to clearly specified standards of conduct and procedures ensuring proper accountability.

Additionally, confidentiality of respondents was respected during the whole research process. Information shared in confidence was protected and the online questionnaires did not ask for the respondents’ identity.

Informed consent was also requested during data collection ensuring that every respondent got clear explanations of the potential risks involved in participating in the study. This was done through the cover note that was sent together with the electronic link to the survey completed by the respondents.

2.0 Literature Review

This section provides a review of important existing literature regarding business start-ups and what causes them to succeed or fail in relation to the entrepreneurs behind those successes or failures. The literature review will be discussed under four main themes namely: the entrepreneur and entrepreneurship; new business and associated risks; definitions of success and failure; attributes and practices of successful entrepreneur and; finally, external factors that contribute to success.

2.1 Entrepreneurship and the Entrepreneur

Entrepreneurship is defined by Hisrich and Peters (2002) as the “process of creating something new and of value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the accompanying rewards of monetary and personal satisfaction and independence”. Further, Shapiro (as cited in Ronstadt, 1985) defined entrepreneurship as a kind of behaviour that includes initiative taking, organizing of economic mechanisms to turn resources into practical account and, the acceptance of risk failure. Similarly, Rwigema (2008, p. 5) suggested that “the fundamental
activity of the entrepreneurship is new venture creation and new venture creation is a process”. The above definitions seem to point to the fact that entrepreneurship is about a process that involves creating something new out of existing opportunities by taking risks. Any new entrepreneurship activity hence entails taking risks and these are discussed in the following section.

The person who takes risks in order to start a new business can therefore be said to be an entrepreneur. The Longman Dictionary of Contemporary English (2003, p.522) defines an entrepreneur as “someone who starts a new business or arranges business deals in order to make money, often in ways that involve financial risks”. The entrepreneur is therefore the individual who exercises the activities of entrepreneurship.

The importance of entrepreneurship to any economy has been recognised by many including Minniti (2008, p.781) who defines entrepreneurship as “the mechanism through which economic growth takes place. He however recognises that entrepreneurship alone is not sufficient to bring about economic growth and that institutions (such as the policy environment) are what allocate entrepreneurial efforts toward productive or unproductive activities by influencing the relative incentives and payoffs offered by the economy to such activities.

Given the importance of entrepreneurship to the economy it seems to follow therefore that entrepreneurs play an important role in the economy since they are the ones who practice entrepreneurship. In attempting to show how important entrepreneurs are to an economy, Kuratko and Hodgetts wrote the following:

*Entrepreneurs are individuals who recognize opportunities where others see chaos or confusion. They are aggressive catalysts for change within the market place. They have been compared with athletes challenging themselves to break new barriers...or top-gun pilots who continuously push the envelope of speed and daring. They start companies and create jobs at a breathtaking pace. The US economy has been revitalized because of the efforts of entrepreneurs, and the world has now turned to free enterprise as a model for economic development. The passion and drive of entrepreneurs move the world of business forward. They challenge the unknown and continuously create the future* (Kuratko and Hodgetts (2001, p.4).
Clearly, the characteristics of seeking opportunities, taking risks, and having the tenacity to push an idea through to reality combine into a special perspective that permeates entrepreneurs. In 2004, Rwigema and Venter explained that “entrepreneurs are the founders of new ventures or revivers of dominant ones”.

For the purposes of this report it as important to distinguish the difference between managers and entrepreneurs. Rwigema and Venter allude to this fact when they argued that “there is a difference between management and entrepreneurship” (Rwigema and Venter 2004, p.6). Regarding entrepreneurs, emphasis is on new venture creation and growth while managers perform functions like planning, organizing human resource management, controlling and other functions akin to administration. Therefore managers may be hired and may not take any part in the founding of the venture. Thus, an entrepreneur is a manager while the manager is not necessarily an entrepreneur. The entrepreneur manages the venture typically when it is still small and may hire a manager as the business grows. Entrepreneurship therefore goes beyond management of a business on a day-to-day basis but involves making more decisions than a manager would, recognising business opportunities and taking the risk by actually investing.

2.1.1 Role of Entrepreneurs in South Africa
The importance of entrepreneurs to an economy does not only stem from their ability to create new business ventures and sustaining them. Furthermore, entrepreneurs typically spot an opportunity, marshal resources and organize them into a venture that offers something new or improved in the market. In this way, entrepreneurs also act as agents of change (Rwigema and Venter 2004, p.6). This change agent role is important regarding the roles that entrepreneurs play in contributing to economic growth. Rwigema and Venter (2004) suggested that the role of small businesses is important and urgent in South Africa. They explained that although not all small-scale businesses are entrepreneurial, collectively they make significant contributions to the economy. In fact micro and very small businesses in South Africa provided more than 55% of total employment and 22% of GDP in 2003. Small firms accounted for 16% of both jobs and production and medium and large firms 26% of jobs and 62% of production (DTI, 2007, p.14).

SMMEs are generally defined by revenue, assets or the number of employees and the cut-off varies by industry or country (Rwigema and Karungu 1999). They explained that in South
Africa, SMMEs have been referred to as small businesses and defined in terms of the South Africa’s National Small Business Act (Act 102 of 1996).

Thus a “small business means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy mentioned in column I of the Schedule and which can be classified as a micro, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule opposite the smallest relevant size or class as mentioned in column 2 of the Schedule ...(or table1) below...(Presidents Office, 1996)

Table 1: SMME Classification in South Africa

<table>
<thead>
<tr>
<th>Sector or sub-sectors in accordance with the Standard Industrial Classification</th>
<th>Size or class</th>
<th>Total full-time equivalent of paid employees Less than:</th>
<th>Total annual turnover Less than:</th>
<th>Total gross asset value (fixed property excluded) Less than:</th>
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<td>R 2.00 m</td>
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<tr>
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<td>Very small</td>
<td>10</td>
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<td>R 0.40 m</td>
</tr>
<tr>
<td></td>
<td>Micro</td>
<td>5</td>
<td>R 0.15 m</td>
<td>R 0.15 m</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
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<td>Micro</td>
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<td>20</td>
<td>R 4.00 m</td>
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</tr>
<tr>
<td></td>
<td>Micro</td>
<td>5</td>
<td>R 0.15 m</td>
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<tr>
<td>Electricity, Gas and Water</td>
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<td>Construction</td>
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<td>Very small</td>
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<td>R 2.00 m</td>
<td>R 0.40 m</td>
</tr>
<tr>
<td></td>
<td>Micro</td>
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<td>R 0.10 m</td>
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<td>Retail and Motor Trade and Repair Services</td>
<td>Medium</td>
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<td>R 5.00 m</td>
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<td>R 3.00 m</td>
<td>R 0.50 m</td>
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<td></td>
<td>Micro</td>
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<td>R 0.15 m</td>
<td>R 0.10 m</td>
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<td>Very small</td>
<td>10</td>
<td>R 5.00 m</td>
<td>R 0.50 m</td>
</tr>
<tr>
<td></td>
<td>Micro</td>
<td>5</td>
<td>R 0.15 m</td>
<td>R 0.10 m</td>
</tr>
<tr>
<td>Catering, Accommodation and other Trade</td>
<td>Medium</td>
<td>100</td>
<td>R10.00 m</td>
<td>R 2.00 m</td>
</tr>
<tr>
<td></td>
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<td>R 5.00 m</td>
<td>R 1.00 m</td>
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<td></td>
<td>Very small</td>
<td>10</td>
<td>R 1.00 m</td>
<td>R 0.20 m</td>
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<tr>
<td></td>
<td>Micro</td>
<td>5</td>
<td>R 0.15 m</td>
<td>R 0.10 m</td>
</tr>
<tr>
<td>Transport, Storage and Communications</td>
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<td>100</td>
<td>R20.00 m</td>
<td>R 5.00 m</td>
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<tr>
<td></td>
<td>Small</td>
<td>50</td>
<td>R10.00 m</td>
<td>R 2.50 m</td>
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</tbody>
</table>
2.2 The New Businesses and Risk

Rwigema (2008) suggest that becoming an entrepreneur is fraught with risks which he defined as the probability of unwanted outcomes which may include lower profits, disappointing sales, higher costs of losses, and/or unexpected competition. “New businesses are considered to be especially vulnerable during the ‘infancy’ period following start-up as many fail to develop into thriving, prosperous businesses” (Watson, Hogarth-Scott and Wilson 1998, p.217). Busenitz (2008) gives a similar view when he states that “starting entrepreneurial ventures based on new discoveries and innovations entails a great deal of risk, with failure commonly ranging from 50 percent to 80 percent within the first five (5) years of existence” (Busenitz as cited in Rwigema, 2008, p. 67). Lévesque, Minniti, & Shepherd, 2009 define business failure risk as “mortality risk which they claim refers to the probability that the new business will not be profitable and become insolvent and that, as a result, the entrepreneur will cease operations either by entering bankruptcy or by ceasing operations to pre-empt bankruptcy”.

The above examples illustrate that although entrepreneurship offers economic benefits to individuals and to a country at large, success is not assured and more often than not, businesses fail within the first few years of existence (Watson and Hogarth-Scott 1998). The risks of a business failing are high and real and therefore, learning about how others have performed helps the new entrant into business to prepare more adequately.

It can be argued that by waiting to start-up a business, entrepreneurs reduce their ability to learn directly and the possibility of locking in competitive advantages. However, the longer they wait, the more they learn from others’ successes and failures. Lévesque, Minniti, & Shepherd (2009) suggest that the optimal time of entry depends on the hostility of the learning environment since the latter has an impact on dimensions of performance, such as profit potential and mortality risk. They argue that the environment for entrepreneurial learning is less hostile when the information to be learned is abundant and when learning from others is relatively more effective at increasing performance than learning from
participation. In a sense, therefore, those entrepreneurs with relatives or friends who have
businesses may have good opportunities to learn from these existing entrepreneurs. Learning
from others may thus help a ‘new entrant’ entrepreneur’s risk of failure to be reduced as they
would probably more easily avoid costly decisions having learned about them from others.

2.3 Business Success or Failure

A successful firm or enterprise, according to Littunen (1998), is defined as one that continues
to function after the critical first three (3) years of starting up while a firm that has closed
down during this period of time is considered to have failed.

A new company or firm that survives the first critical first three (3) years is considered to be
successful as the continuation of entrepreneurial activities is a clear sign of success because
the first three years of the firm are also critical to stabilizing entrepreneurial activity. On the
other hand, business failure or mortality refers to the fact of the new business ceasing to be
profitable and becoming insolvent and that, as a result, the entrepreneur will cease operations
either by entering bankruptcy or by ceasing operations to pre-empt bankruptcy (Lévesque,
Minniti, & Shepherd, 2009).

In line with the above definition of a successful enterprise by Littunen, this report will
consider entrepreneurs as successful, if they own a business that continues to operate for
three or more years. By the same token, the older the firm, the more successful the
entrepreneurs who owns it will be considered.

2.4 Attributes and Practices of Successful Entrepreneurs

While recognizing the fact of there being no marginal set of entrepreneur attributes that
guarantee success of a new venture, Ray suggests three key elements that must be addressed
Ray (1993, p346). These are personality, background and experience, and skills. He further
explains that the probability of launching a successful business is based on an infinite variety
of combinations in which an individual’s positive attributes might outweigh negative
attributes. The above three elements are discussed in turn below, drawing from the work of
other writers and researchers.

2.4.1 Personality

The first element (personality) will not be the focus of this report because, as Landstrom and
Sexton (2000, p.293) argued, personality is not a reliable predictor of single instances of
behaviour such as management decisions in the face of challenges. They further hypothesized
that “the behaviours responsible for short-term performance of ventures are not sufficiently aggregated to reliably be predicted by personality traits, which may explain the failure of studies to demonstrate such links” (Landstrom and Sexton, 2000, p.293). There is no available literature to link personality or behaviour with performance, let alone as entrepreneurial success.

2.4.2 Background and Experience

In terms of the second element (background and experience), Hisrich and Peter (1990) explain that because entrepreneurs come from a variety of educational and work backgrounds as well as family situations, there is no such a thing as a “true entrepreneurial profile”. They however stated that although many aspects of an entrepreneur’s background have been explored, only a few have differentiated the entrepreneur from the general populace of managers. These have been identified as leadership, family environment, education, age and, work history. The relationship between these attributes and the success of an entrepreneur are discussed in turn in the following paragraphs.

The entrepreneur’s background and experience are closely related to leadership qualities needed by an entrepreneur. Certain characteristics have been identified as constituting a successful entrepreneur, which Hisrich and Peter (1990) proposed as being the ability to understand the environment, being visionary and flexible and, the ability to create management options. They gave an example that in order to get the best from his or her workers within the overall corporate environment, the entrepreneur (as a leader) should encourage teamwork while employing a multidisciplinary approach. He or she must encourage open discussion, build a coalition of supporters, and be persistent. Clearly, such leadership skills are not common to all individuals and those who possess them might have a better chance at succeeding in a business venture that requires these kinds of skills to succeed.

Early family environment in terms of the status and occupation of one’s parents is said to influence or at least nourish entrepreneurship in people (Rwigema and Venter 2004). They further claimed that strong evidence exists that supports the idea that entrepreneurial parents tend to produce a disproportionately higher share of young entrepreneurs, a fact that they claimed is probably true in South Africa as well. They cited anecdotal evidence that supported the notion that families like the Ruperts, Oppenheimers and Venters appear to
breed more entrepreneurs per capita than rural counterparts. This could be explained by the following:

(i) the parental social status which seems to spur entrepreneurial careers;
(ii) perception of desirability as the celebration of entrepreneurship within families, cultures provides the impetus for an entrepreneurial career and;
(iii) the perception of feasibility which related to belief in the viability of an entrepreneurial career. Children born to rich, educated and entrepreneurial families live in environments that enable them to become (successful) entrepreneurs themselves.

Results based on data from a survey on entrepreneurship in Brazil by Djankov, Qian, Roland and Zhuravskaya (2008), of 400 entrepreneurs and 540 non-entrepreneurs of the same age, gender, education and location in 7 Brazilian cities revealed that there are some important differences between entrepreneurs and non entrepreneurs in Brazil. The most striking difference relates to the social origins and the social environment of entrepreneurs. Parents of entrepreneurs have usually had positions of leadership in their job. There are significantly more entrepreneurs in the families of entrepreneurs and also among school and university friends.

Regarding the importance of education, Rogerson writes that over the past decade, there has appeared a number of research contributions on training and skills development linked to the SMMEs in South Africa as a whole (Rogerson, 2008). While there is recognition of the importance of training and the acquisition of skills for business development (Smith et al 2006) a number of studies still confirm that a large segment of South Africa’s SMME entrepreneurs have very limited skills. This is despite the fact that several studies show a pattern that the most successful, adaptive and innovative SMMEs are those in which entrepreneurs have a good to high levels of education, technical/managerial skills and training (Rogerson, 2000).

Additionally, the GEM report of 2008 was generally in agreement with the above views as given by Hisrich and Peter (2002) regarding the importance of education and training for entrepreneurs for the survival of business start-ups they own. In order to assess the national conditions influencing entrepreneurial activity in South Africa, experts (professionals and entrepreneurs) were asked to, among other things, identify the three most important factors constraining entrepreneurial activity and the three most important factors fostering it.
According to the GEM the most crucial factors identified was education and training. Further GEM 2008 reported the following:

*GEM research has consistently shown an association between educational levels and success in entrepreneurial ventures and South Africa’s poor skills level is certainly an important contributing factor to the country’s below-average entrepreneurial capacity.*

2.4.3 Business Skills

Thirdly and finally, with regard to attributes of successful entrepreneurs (the three key success elements suggested by Ray 1993), Osborn (1993) contended that skills necessary both for avoiding costly mistakes in business and for enabling entrepreneurs to differentiate between meaningful and meaningless opportunities are largely attained through education and, to some extent, experience. He explained that how small firms handle problems and how the successful owner managers to overcome such problems, lends support to managerial competencies required to understand the nature of specific markets. One can only understand markets using necessary skills learnt from economics, finance, marketing and accounting, to mention a few. Cromie (1991) found that young organizations experienced problems primarily because of lack of experience in the areas of finance, accounting and management of people. There is therefore a case for supporting the idea that training or experience in these business related fields is important to some degree for the success of an entrepreneur. Moreover, Littunen emphasized skills and know-how as factors that maintain successful development of small firms (Littunen, 1998). These skills are gained through education and training (Hisrich and Peter 2002). Therefore, the chances of a start-up firm owned by an educated and appropriately trained entrepreneur has high chances of surviving than one owned by an entrepreneur with poor education coupled with no formal training, other things remaining constant.

In conclusion, all the factors that determine the success of entrepreneurs can be said to be effective only under certain external conditions. Gilad and Levine (1986) argue that according to the contingency theory, entrepreneurship cannot be studied in isolation without taking into consideration situational factors such as the economic situation, local environment and the life situation of the entrepreneur such as family connections. However, the characteristics argued above as advanced by Hisrich and Peter (1989) as well as others are still very relevant because within the same economic environment some entrepreneurs ‘succeed’ while others ‘fail’.
2.5 External factors affecting entrepreneurs

Having recognised entrepreneurship as the mechanism through which economic growth takes place, Minniti (2008) stated that entrepreneurship alone is not sufficient to bring about economic growth and that institutions (such as the policy environment) are what allocate entrepreneurial efforts toward productive or unproductive activities by influencing the relative incentives and payoffs offered by the economy to such activities.

Kiggundu (2002) summarized factors that account for success or failure of enterprises by categorizing them under factors that relate to the entrepreneur, the firm or the external environment. Regarding the external factors, he included: local and national politics; the quality of public administration; personal and national security; militarism, family, society and culture; the market; technology; physical environment; regional and global economy. He then explained, in a chart form, that that some of the factors correlated positively (+) while others negatively (-) to creating an enabling environment to entrepreneurship. Kiggundu found that taxation, security of property rights, and the regulation of trade and other commercial activities are more restrictive of entrepreneurship in African countries than other global regions (Kiggundu, 2002). He also contended that the lack of enabling government policies, attitudes and overall quality of public administration and service provision to entrepreneurship is to be blamed for entrepreneurial problems in Africa.

The South African government in a White Paper of 1995 identified a number of constraints facing small enterprises. These relate to the legal and regulatory environment, access to markets, access to finance and affordable business premises, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, and access to quality business infrastructure in poor areas or poverty nodes. The department of Trade and Industrial (DTI) recognises through its ‘Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises’ that various key stakeholders share the importance of investing in and stimulating small businesses as seen by the growing and widespread commitment to fostering entrepreneurship and promoting small businesses. Over many years, there has been a growing number and range of support of programmes, products and services initiated by the various players that have emerged both inside and outside the public sector (DTI, 2005).
2.6 Conclusion

The literature review of entrepreneurs and factors that determine their success revealed that there are many factors about the entrepreneur that in terms of his or her background and other attributes that enhance the chances of their success in ‘running’ a business. However there are also factors outside the control of the entrepreneurs that contribute to the success of a new venture. Since such factors affect all entrepreneurs (albeit at different levels), the South African government is committed to promoting entrepreneurial development by providing an enabling environment in the provision of various services aimed at helping especially SMMEs to survive the critical early years.

This review provides the basis for investigating the important success factors that determine the success of entrepreneurs in Gauteng and Western Cape. Various variables will be compared between the two provinces with the view to profile attributes of entrepreneurs and other factors that determine or enhance success of new business ventures, at least in the context of Gauteng and Western Cape.

3.0 Theoretical Background and Methodology

This section firstly focuses on setting the theoretical background to entrepreneurship research by pointing out some frameworks used by other researchers in trying to study entrepreneurial success factors. Secondly, the proposed methodology for conducting the research will be discussed detailing the approach, sampling design, data collection techniques as well as analysis of findings.

3.1 Theoretical Background

Finding the link between entrepreneurial personality and performance of their businesses has been the interest of many theorists and researchers with some finding a weak link between identified personal qualities of the entrepreneur and the performance of a new venture (Herron, 1994). However, others like Kuznetsov, McDonald and Kuznetsova (2000) concluded in their research that entrepreneurial competences and their interactions with strategy and industry structure have become increasingly looked upon as principle factors determining success of new ventures.

In their study on ‘small business start-ups success factors and support implications’, Watson and Hogarth-Scott (1998) pointed out that there is no generally agreed upon theoretical framework for carrying out research on small businesses and entrepreneurship. They thus
designed their own analytical framework based on the extant literature relating to small businesses. This is the framework that this study will make use of. The appropriateness of this analytical framework lies in the fact that it clearly relates the entrepreneur’s (or founder) characteristics with the business characteristics. It also incorporates the internal and external environments and links them to the business and the founder as shown below in figure 1.

Figure 1: Analytical Framework

Watson and Hogarth-Scott (1998, p.219) argued, using the model above, that traditional analyses of small business success or failure have used statistical models of financial characteristics taken from models of established business which are not appropriate for assessing the viability of new ventures where the skills and aspirations of entrepreneurs are likely to be very important.
Their model sets out the factors that are purported to be important in affecting business outcomes identified through a review of literature on small businesses and entrepreneurs. They recognize the complexity of entrepreneurship noting that both internal and external factors impact on performance. They however note that with small businesses the influence of the founder (entrepreneur) is of paramount importance. It is therefore essential to study the characteristics, background experiences and management practices of the entrepreneur and how they relate to other external factors such as availability of family financial resources.

3.2 Methodology

This section discusses the research approach and strategy used in the study as well as the research design employed. The sampling and data analysis methods are also outlined.

3.2.1 Research Approach and Strategy

The study approach was deductive as it involved testing theory which suggests certain factors exist that contribute towards the success of new ventures or businesses as proposed in the “Watson and Hogarth-Scott model” in figure 1 above (section 3.1 – Theoretical Background). The hypotheses, as supported by other literature discussed in the literature review (section 2.0 above) were compared with empirical primary data obtained through a survey from a number of entrepreneurs within the Western Cape and Gauteng Provinces. The study approach was deductive as it involved testing theory in terms of a set of attributes of entrepreneurs that determine success of enterprises they own. The hypotheses, as supported by literature discussed in the literature review (section 2.0) above, were compared to empirical primary data obtained from a survey completed by 203 entrepreneurs within the Western Cape and Gauteng Provinces.

The research strategy involved gathering of quantitative data in the form of closed ended questions as well as qualitative data in the form of open ended questions. A survey (called the entrepreneurship success factors survey) was conducted in the two provinces of Gauteng and Western Cape (through the use of electronic questionnaires) involving business owners or entrepreneurs registered with the respective Provincial Chambers of Commerce.

3.2.2 Research design, data collection methods and research instruments

A cross sectional research design (survey research in particular) was employed in this study in order to determine, within the context of South Africa, what the common attributes of successful entrepreneurs are; what role the entrepreneurs’ background plays; what role is played by external factors in the success of entrepreneurs; and what the common problems
encountered in ‘early business stage’ are. Bryman and Bell, 2007 explain that in a cross sectional research design, variables of interest are collected simultaneously as responses to the questionnaires are supplied essentially at the same time.

Selection of business owners to participate in the survey was done by utilising the websites of the Provincial Chambers of Commerce for both Gauteng and Western Cape.

3.2.3 Sampling and data collection
The electronic survey self completion questionnaire was completed by 103 respondents from both the Western Cape and Gauteng. The sampling frame was drawn from the membership lists of businesses registered with the Provincial Departments of Commerce and Industry (Gauteng and Western Cape). Two challenges were faced in selecting the respondents to participate in the ‘entrepreneurial success factors survey’. Firstly, the Gauteng membership list did not provide email addresses but only business names. The second challenge involved the Western Cape Chamber of Commerce website which did not provide any names or addresses publicly. To resolve these challenges, a network of contacts from the University of Cape Town, was used to find contact persons (members) within the two Chambers of Commerce.

The contact persons then provided e-mail addresses for all members. From Gauteng 1140 addresses were provided while 956 addresses were provided from the Western Cape. The first step of the sampling procedure was then to choose 500 addresses from each province. An electronic link to the survey questionnaire was then e-mailed to all the selected respondents. When very few responses were coming through the link over several weeks, reminders were sent to the respondents with an explanation of the importance of the study as well as assurances of confidentiality.

Information on the size of business was not requested for while the sector that the business belonged to (though requested for in the questionnaire) did not form part of the basis for sampling.

The questionnaire was designed to be easy to understand and completed by the respondents within seven (7) to ten (10) minutes. In addition, the questions were designed to be able to capture both experiences of entrepreneurs in terms of what factors contributed to the success (or failure) of their own business ventures as well as their perception or opinion on any other factors that influence the success of entrepreneurs in general.
3.2.4 Research Criteria Validity and Reliability
The importance of reliability in this study relates to internal reliability which Bryman and Bell (2007) claim applies to multiple-indicator measures in which respondent’s answers to each question are aggregated to form an overall score. It was important to ensure that all the designermism indicators in the questionnaires (indicators that make up the scale or index) related to each other.

Validity in this quantitative survey was concerned with ensuring each measure of a concept really measured that concept and not something else (Bryman and Bell, 2007). Measures such as how long an entrepreneur had been running a business were used to measure success, at least for the first three years of setting up. These types of measures were then turned into questions and included in the questionnaire. The other measure of validity for the survey was face validity which was achieved through piloting or pre-testing the survey questions on experienced entrepreneurs.

3.2.5 Data Analysis Methods
To compile and analyse the data, three types of software (Microsoft Excel, Select Survey ASP Advanced and SPSS) were used. No data entry was required as data was imported directly from the electronic link to Select Survey ASP Advanced and then exported to Excel and SPSS for analysis. With these types of software, data could be analysed using frequencies, percentages, and other summary statistics such as cross-tabulations appropriate for quantitative research analysis. This is in agreement with the assertion by Bryman and Bell, 2007, that quantitative research can be construed as a research approach that emphasizes quantification of data collection and entry.

Information of a qualitative nature (from open-ended questions) could also be summarised and common responses categorised, enabling for frequencies to be drawn.

The assumptions underlying the use of this method of analysis include firstly the fact that Microsoft Excel is able to make use of data imported from or exported to many other types of software. Secondly, since quantitative research strategies entail a deductive approach to the relationship between theory and research, the software was appropriate for this study which sought to establish whether there is a relationship between the success of a new venture and certain factors affecting the entrepreneurs who owns or operated that venture.
4.0 RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

This section presents the findings of the ‘entrepreneurship success factors survey’ which are based on data collected from 103 entrepreneurs from Gauteng and Western Cape provinces of South Africa. The findings are analyzed and discussed by relating and comparing them to other existing research around factors that determine success of entrepreneurs in South Africa in general and Gauteng and Western Cape in particular.

4.1 Research Findings

After analysing the existing data from the Gauteng and Western Cape provinces based on 103 respondents from the entrepreneurial success factors survey, there appeared to be some evidence of the existence of factors that determine the success of new ventures. However, more evidence pointed to the fact that there are some entrepreneurial factors that enhance the chances of success or at least the performance of new ventures. Some practices like financial discipline, based on the opinions of the respondents, appeared to have a large influence on the success of an entrepreneur. Other important factors appeared to be external to the entrepreneurs’ sphere of control. These include the political and economic environment surrounding the entrepreneur. Details of the specific findings and analysis are discussed below.

4.2 Research Analysis and Discussion

This section firstly provides an overview of the survey findings and a brief discussion around the demographic characteristics of South Africa that will provide the backdrop against which all the other main factors affecting the success of entrepreneurs will be discussed. Then the analysis and discussion of findings will be presented under four main sections of the survey questionnaire which in turn was informed by the objectives of the study. These sections are as follows:

1. Demographic Overview and Profile of South African Entrepreneurs
2. Entrepreneurial Education, Training Background
3. Entrepreneurial Family and Friends Support
4. Entrepreneurial Prior Business Experience
5. External Factors Affecting Entrepreneurship Success
4.2.1 Demographic Overview and Profile of South Africa Entrepreneurship

a. Population
Because this report will focus on entrepreneurial activities in the two provinces of Gauteng and Western Cape, the rest of the provinces will not be discussed in detail. However, in order to have a better appreciation of the demographic and economic background of South Africa in general and Western Cape and Gauteng provinces in particular, some population and GDP statistics have been provided in this analysis. For example, Table 2 below shows that Gauteng has the highest percentage share of the total population of South Africa (21.4%), closely followed by KwaZulu-Natal (21.2%). Western Cape whose entrepreneurial activities are being compared to Gauteng has 10.9% of total population (fourth highest).

Table 2: Mid-year population estimates by province, 2009

<table>
<thead>
<tr>
<th>Province</th>
<th>Population estimate</th>
<th>Percentage share of the total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>6 648 600</td>
<td>13.5</td>
</tr>
<tr>
<td>Free State</td>
<td>2 902 400</td>
<td>5.9</td>
</tr>
<tr>
<td>Gauteng</td>
<td>10 531 300</td>
<td>21.4</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>10 449 300</td>
<td>21.2</td>
</tr>
<tr>
<td>Limpopo</td>
<td>5 227 200</td>
<td>10.6</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>3 606 800</td>
<td>7.3</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1 147 600</td>
<td>2.3</td>
</tr>
<tr>
<td>North West</td>
<td>3 450 400</td>
<td>7.0</td>
</tr>
<tr>
<td>Western Cape</td>
<td>5 356 900</td>
<td>10.9</td>
</tr>
<tr>
<td>Total</td>
<td>49 320 500</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Statistics South Africa website

There is no clear evidence of a relationship between the population sizes of particular regions or province and entrepreneurship. In fact, Western Cape which has 10% of the population has a higher rate of entrepreneurial activities than KwaZulu-Natal 21.2%. Instead, GEM 2008 reported that previous GEM research has shown a strong association between population groups and entrepreneurial activity. The details were that whites and Indians are more likely to start a business than coloureds or black Africans. “Relative to population size, whites are almost twice as likely, compared to black Africans, to be involved in early-stage entrepreneurial activity”(GEM 2008).

b. Location of Business
It is interesting, and maybe not surprising, to note that Gauteng, KwaZulu-Natal and the Western Cape remain the most entrepreneurially active provinces in South Africa. GEM 2008
reported that a recent study on the entrepreneurial advantage of world cities indicated that Cape Town has a Total Early-stage Entrepreneurship Activity or TEA rates that are more than 65% higher than the national rates while its opportunity TEA rates are 190% greater than the national average.

Economically there are significant differences between the provinces of South Africa in terms of infrastructure, wealth, markets and business vibrancy. Previous GEM reports have noted considerable variation across the provinces in terms of both the level as well as the type of early-stage entrepreneurial activity prevalent in each region. In 2008, the adult population survey was carried out in all nine provinces. Table 3 below reports the prevalence of early-stage entrepreneurial activity separately for each province (expressed as % of TEA).

Table 3: Involvement in TEA activities, by region (expressed as a % of TEA)

<table>
<thead>
<tr>
<th>Region</th>
<th>TEA (%)</th>
<th>TEA: opportunity (%)</th>
<th>TEA: necessity (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>30</td>
<td>28</td>
<td>36</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>17</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Western Cape</td>
<td>15</td>
<td>17</td>
<td>9.6</td>
</tr>
<tr>
<td>Limpopo</td>
<td>10</td>
<td>10</td>
<td>7.5</td>
</tr>
<tr>
<td>Free State</td>
<td>9</td>
<td>10</td>
<td>5.7</td>
</tr>
<tr>
<td>North West/ North Cape</td>
<td>9</td>
<td>9</td>
<td>7.5</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>6</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>4</td>
<td>4</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Source: GEM 2008

Table 3 further shows that Gauteng is the most entrepreneurially dynamic province in terms of both overall early-stage activity as well as opportunity motivated entrepreneurship. Gauteng, KwaZulu- Natal and the Western Cape had the highest levels of entrepreneurial activity and together accounted for almost two-thirds of early-stage entrepreneurial activity in South Africa (GEM 2008). This is in tandem with the GDP figures provided in figure 2 below which showed that Gauteng, KwaZulu-Natal and Western Cape together accounted for about 64% of the national GDP for South Africa.

Commenting on South Africa’s economic overview, an ‘SAinfo reporter’ wrote on the DTI official website (2009) that while South Africa's per capita income places the country among the middle-income countries, the income disparities are among the most extreme in the
world. Reducing inequality and poverty, and tackling unemployment and underemployment, were reported to be some of the key challenges faced by the South African government. The article suggested that the immediate causes of poverty were huge inequalities in access to productive assets land, basic infrastructure, capital, education and skills training.

In terms of the economic contribution to the national Gross Domestic Product (GDP) Gauteng has the largest share at 33% while Western Cape is third (14.4%) just below KwaZulu-Natal which is second (16.7%). Figure 2 below gives a distribution of the South Africa’s GDP by province. Mpumalanga and the Eastern Cape, the two lowest ranked provinces, have entrepreneurial activity rates less than a fifth of the rates in Gauteng. Clearly both the overall TEA rates and GDP figures in South Africa are thus boosted considerably by the higher activity levels in the three top ranked provinces.

Figure 2: Percent contribution to GDP, by province

Source: Statistics South Africa

Table 4: Business Location

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Western Cape</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Gauteng</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>103</td>
</tr>
</tbody>
</table>

Table 4, based on the results of this entrepreneurial success factors survey of Gauteng and Western Cape showed that 47.6% of the businesses were located in Western Cape while 52.4% were in Gauteng. Even though more entrepreneurs participating in the survey were from Gauteng the difference in the number of entrepreneurs may be due to differing response
rates to the survey as opposed to the fact that Gauteng has more entrepreneurs in general. However it is clear that Gauteng does have a higher contribution to GDP as well as a higher population, and therefore, a larger number of entrepreneurs would be expected to be located there than the Western Cape (Stats SA).

c. Gender and Business Success
According to the GEM 2008, the ratio of male to female entrepreneurship for South Africa is 1.6:1. This reveals that men are more likely to do business than women. According to this (entrepreneurial success factors survey) survey however, men were 3.1 times more likely to engage in entrepreneurial activity than women. The discrepancy, again, could probably have been due to a small sample size. Comparison of the two provinces for the given sample size showed that 56.4% of all the men were from Gauteng while 43.6% were from Western Cape. For women, 40% were from Gauteng with 60% from Western Cape (table 6).

The number of women entrepreneurs who completed the entrepreneurship success factors survey did not fully reflect the level of female involvement in entrepreneurial activity given in the GEM report 2008. Table 5 (based on the GEM 2008 information) below shows a TEA of 38% meaning that there was about 38% involvement in entrepreneurial activity by women while the participation in this entrepreneurship success factors survey only had 23.3%. The women’s views on various issues asked in the survey might not therefore be fully be represented in this report because of the limitations that the small sample size of 103 poses. In addition, for other variables such as education levels, extents to which women-owned businesses succeed or fail may not be fully be represented by the results of this survey. Therefore, more research can be conducted with larger samples in order to negate the possible effect of the skew in the sample and enhance confidence in the results.

Table 5: Involvement in entrepreneurial activity, by gender

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEA</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>TEA opportunity</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>TEA necessity 46% 54%</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>Established business owner/ manager</td>
<td>65</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: GEM 2008

Furthermore, table 6 shows that most (69.4%) of entrepreneurs in Western Cape were men, with 30.6% being women. The percentage of women in Gauteng was even lower at 18.5%. Male entrepreneurs for Gauteng comprised 81.5%.
Table 6: Location of business, by gender

<table>
<thead>
<tr>
<th>Where is the business located?</th>
<th>Count</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% within Where is or was the business located?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>34</td>
<td>15</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>% within What is your gender?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>69.4%</td>
<td>30.6%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>33.0%</td>
<td>14.6%</td>
<td>47.6%</td>
<td></td>
</tr>
<tr>
<td>Gauteng</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% within Where is or was the business located?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>44</td>
<td>10</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>% within What is your gender?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>81.5%</td>
<td>18.5%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>42.7%</td>
<td>9.7%</td>
<td>52.4%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>78</td>
<td>25</td>
<td>103</td>
<td></td>
</tr>
</tbody>
</table>

Currently, the global average for female entrepreneurship is 7.72% of the population while that of South African is at 4.83%, which is 2.89% lower than the global average.

4.2.2 Entrepreneurial Education and Training Background

In the GEM 2008 the following, with regard to inhibiting factors to entrepreneurship, were reported:

*The national experts’ survey confirmed previous years’ findings with respect to the factors constraining entrepreneurial capacity in South Africa. The main inhibiting factors remain access to finance, education and training and government policies. Several studies have demonstrated links between the provision of entrepreneurship education and levels of entrepreneurial activity. .. The strong negative rating of the quality of entrepreneurship education at school level is also a clear indication that the education system in South Africa is failing to prepare learners adequately for meaningful participation in the economy. These findings suggest that a lack of human capacity is one of the key obstacles to increased entrepreneurial activity in South Africa.*

In addition, GEM 2008 research has consistently shown an association between educational levels and success in entrepreneurial ventures and South Africa’s poor skills level is certainly
an important contributing factor to the country’s below-average entrepreneurial capacity. Rogerson (2008) discovered evidence of a pattern showing that the most successful, adaptive and innovative SMMEs are those in which entrepreneurs have high levels of education, managerial skills and training.

Lack of education was one of the factors identified as an inhibitor to entrepreneurship in the GEM 2008 report. The report further highlights that education is not only a basic requirement but also an efficiency enhancer.

In the success factors survey of the respondents whose highest level of education was secondary school, 47.1% felt that their education had helped them in their business while 52.9% were of the view that it had no (table 7). At tertiary education level, 86.6% considered their education a factor contributing positively to their business whereas 9.8% felt education had not aided them in their entrepreneurial activity. It is worth noting that 88.8% of the entrepreneurs who considered education of value to their businesses had gone up to tertiary level. This is possibly due to the fact individuals attaining to higher education have an appreciation and understanding of more sophisticated ICT innovations relevant to business. For instance, according to a study reported in the GEM, 81.8% of respondents with a tertiary qualification used the internet whereas only 8% with no formal education and 14% with Grade 11 or less used the internet. Overall, 77.7% of the respondents considered their education helped them to succeed in their business while 16.5% did not. The remaining 5.8% did not respond.
### Table 7: Whether education helped entrepreneur in their business

<table>
<thead>
<tr>
<th>What was the highest level of education you attained?</th>
<th>Did your education help you in your business?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[No Answer Entered]</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Primary School</td>
<td>.0%</td>
</tr>
<tr>
<td></td>
<td>.0%</td>
</tr>
<tr>
<td>Secondary school</td>
<td>.0%</td>
</tr>
<tr>
<td></td>
<td>.0%</td>
</tr>
<tr>
<td>Tertiary institute</td>
<td>3.7%</td>
</tr>
<tr>
<td></td>
<td>50.0%</td>
</tr>
<tr>
<td>[No Answer Entered]</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td>50.0%</td>
</tr>
<tr>
<td>Total</td>
<td>5.8%</td>
</tr>
<tr>
<td></td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Regarding the formal business training, entrepreneurs where asked two different questions namely: ‘when did you start your business?’ and ‘have you ever had any formal training in a business related course. To try and ascertain how many owned businesses that would be considered successful (i.e. they were three years or older), the two questions were cross tabulated and results presented in table 8. The table thus reveals that there were fewer respondents who had any sort of business related training than those who had not, for most categories of age of business. However, for those entrepreneurs who had owned the more successful ventures (i.e. the businesses which were older than six years) most of them had some training in a business related course (69%). Here only 31% of these entrepreneurs had no training in any business related course.
Table 8: Effect of business training on success

<table>
<thead>
<tr>
<th>% when did you start the business?</th>
<th>Have you ever had any formal training in a business related field</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>1 to 2 years ago</td>
<td>26.9%</td>
</tr>
<tr>
<td>3 to 4 years ago</td>
<td>26.9%</td>
</tr>
<tr>
<td>5 to 6 years ago</td>
<td>35.0%</td>
</tr>
<tr>
<td>More than 6 years ago</td>
<td>69.0%</td>
</tr>
<tr>
<td>No response</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>39.8%</td>
</tr>
</tbody>
</table>

When asked to specify the business related courses in which they had training, the respondents mentioned a number of course as tabulated in table 9 below. The majority of the respondents who said they had training in a business related course either had training in accounting (21.57%); economics (33.33%); and business management and marketing (11.76%). Other courses made up the rest of the

Table 9: Summary of business related course done by respondents

<table>
<thead>
<tr>
<th>Course</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>21.57%</td>
</tr>
<tr>
<td>Economics</td>
<td>33.33%</td>
</tr>
<tr>
<td>Business Management and Marketing</td>
<td>11.76%</td>
</tr>
<tr>
<td>BA in Finance</td>
<td>9.80%</td>
</tr>
<tr>
<td>Business Administration Degrees and Diploma</td>
<td>3.92%</td>
</tr>
<tr>
<td>Business Management</td>
<td>9.80%</td>
</tr>
<tr>
<td>Human resources</td>
<td>1.96%</td>
</tr>
<tr>
<td>Sales and Marketing</td>
<td>3.92%</td>
</tr>
<tr>
<td>Masters of Business Administration</td>
<td>3.92%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The results from table 10 show a higher percentage of entrepreneurs with existing businesses (52%) who also had training in a business related field as opposed to those did not have any training in business (47%) with training in a business course. Interestingly, a large percentage (85%) of respondent whose businesses had closed also indicated that they no training in any business related course. This agrees with Rogerson’s discovery of a pattern showing that the most successful SMMEs are those in which entrepreneurs have high levels of education, managerial skills and training (Rogerson 2008).
Table 10: Cross Tabulation of whether the respondent had training in a business related field by whether the business was still in existence

<table>
<thead>
<tr>
<th>Have you ever had any formal training in a business related field</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the business still in existence?</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>52.2%</td>
</tr>
<tr>
<td>No</td>
<td>14.7%</td>
</tr>
<tr>
<td>Total</td>
<td>39.8%</td>
</tr>
</tbody>
</table>

4.2.3 Entrepreneurial Support from Family and Friends

Family and friends seem to serve as role-models for aspiring entrepreneurs. (Litvak and Maule (as cited by Shepero & Sokol, 1982) found that successful high technology entrepreneurs had fathers who were owners-managers. They suggested that this was so, possibly because it is easier to understand and appreciate issues when there is a reasonably close reference point to draw lessons from and build on the successes while learning from and correcting past failures. In addition, during a study aimed at establishing success factors behind new technology ventures, Song et al (2008) found eight uniform important factors necessary for the success of new technology ventures (NTVs), among which were the founders’ marketing and industry experience. By the same token, the survival of any entrepreneurial activity may be influenced by whether or not the entrepreneur possesses experience in business. “Notwithstanding that entrepreneurial experience could be acquired by various means, one cannot rule out association with friends or family members who have owned businesses as a key source of exposure and potential driving force to venture into entrepreneurship” (Shapero and Sokol, 1982, p. 39).

In the ‘Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises”, the following was stated:

“Success and failure is a normal part of business processes but effective networking, adequate ‘skilling’, mentoring, developing good business acumen and sound principles and practices coupled with a high degree of business integrity will ensure that the prevalent environment does not perpetuate a culture of failure but rather a winning culture”( DTI, 2005, p.1267)
Table 11: Age of the business, by whether respondent received any help from friends and family

<table>
<thead>
<tr>
<th>When did you start the business?</th>
<th>Have any of your friends and/or family members ever helped you in your business?</th>
<th>[No Answer Entered]</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>1 to 2 years ago</td>
<td>53.8%</td>
<td>26.9%</td>
<td>19.2%</td>
</tr>
<tr>
<td>3 to 4 years ago</td>
<td>19.2%</td>
<td>50.0%</td>
<td>30.8%</td>
</tr>
<tr>
<td>5 to 6 years ago</td>
<td>70.0%</td>
<td>20.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>More than 6 years ago</td>
<td>69.0%</td>
<td>31.0%</td>
<td>.0%</td>
</tr>
<tr>
<td>No response</td>
<td>.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>51.5%</td>
<td>32.0%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

It is interesting to note that of the entrepreneurs interviewed, those who had been in business for 5 years or more indicated a higher rate (70% and 69%) of receiving help from friends or family. It is also acknowledged in the GEM 2008 that some entrepreneurs prefer raising their start-up capital from means other than financial institutions. A business that has been in operation for at least 5 years should be on its way to success and there is a probability that this could be correlated to the ease of access of finance from friends or family.

The entrepreneurs were further asked to indicate what kind of assistance they received from their families or friends. The responses included the following (aggregated):

- Technical, management and legal guidance
- Partnerships and risk sharing
- Knowledge sharing and capacity building
- Provision of contact through networking
- Mentorship
- Finances
- Emotional and moral support
- Business experience
- They provide ready and steady market
- Administration

### 4.2.4 Entrepreneurial Prior Business Experience

A number of researchers have reported that Entrepreneurs start business in the industry in which they have had previous experience because they are most likely to succeed. Vesper (1982) argued that prior work experience in the particular line of business is correlated
positively with success. Prior experience may thus not only be in terms of one having been an entrepreneur before. It could just be work experience and knowledge of the industry.

In this entrepreneur success factors survey, respondents were asked whether they had any previous experience before embarking on the business they currently own. The results from table 11 below showed that there were more (43.7%) respondents who did not have any previous experience than there were those who had (34%). However 55% of those entrepreneurs with businesses that were 5 to 6 years old indicated that they had previous business experience while 30% did not. In this category, 15% did not respond to the question. For businesses that were 6 years or older there was an equal score of 48% for both the respondents who indicated that they had no previous experience and those who indicated that they had, albeit with 3.4% did not respond to the question. Based on this sample from Gauteng and Western Cape, the results from table 12 are not conclusive in terms of supporting the assertion that entrepreneurs with business experience where more likely to own more successful businesses.

Table 12: Age of business by, whether respondent had any prior business experience

<table>
<thead>
<tr>
<th>When did you start the business?</th>
<th>Did you have any previous business experience before starting your own business?</th>
<th>[No Answer Entered]</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 2 years ago</td>
<td>26.9%</td>
<td>46.2%</td>
<td>26.9%</td>
</tr>
<tr>
<td>3 to 4 years ago</td>
<td>11.5%</td>
<td>50.0%</td>
<td>38.5%</td>
</tr>
<tr>
<td>5 to 6 years ago</td>
<td>55.0%</td>
<td>30.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>More than 6 years ago</td>
<td>48.3%</td>
<td>48.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>No response</td>
<td>.0%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>34.0%</td>
<td>43.7%</td>
<td>22.3%</td>
</tr>
</tbody>
</table>

In order to get the perceptions of the respondents on the extent to which prior business experience helps entrepreneurs to succeed, the entrepreneurs were asked to indicate what their opinions were. Their opinions are now presented in table 13 below. Of those who responded to this question, 48% (20.4%+28.6%) indicated that prior business experience helps entrepreneurs to succeed ‘to a large extent’ or ‘to a great extent’. On the other hand, those who thought prior business experience helped an entrepreneur to succeed to ‘to no
extent’ or ‘to small extent’ were only 10.7% (3.9%+6.8%). Comparing the results between the two provinces revealed a similar picture with Western Cape showing that 49% percent of the respondents thought prior business experience helped entrepreneurs to succeed. The figure for Gauteng was 48%. These figures reveal that a much higher number of entrepreneurs thought prior business experience helped in entrepreneurial success to a large or great extent. This is so because comparing with those who thought prior experience either does not help (to no extent) or helped only to a small extent. The figures for these latter responses (‘to not extent’ and ‘to a small extent’) at provincial level were 10.2 % (4.1+6.1) and 11.1% (3.7%+7.4%) for Western Cape and Gauteng respectively.

Table 13: Extent to which respondents thought prior business experience helps in entrepreneurial success.

<table>
<thead>
<tr>
<th>Where is the business located?</th>
<th>To No Extent</th>
<th>To a Small Extent</th>
<th>To a Large extent</th>
<th>To a great extent</th>
<th>Not Applicable</th>
<th>[No Answer Entered]</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td>4.1%</td>
<td>6.1%</td>
<td>10.2%</td>
<td>38.8%</td>
<td>16.3%</td>
<td>24.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>3.7%</td>
<td>7.4%</td>
<td>29.6%</td>
<td>18.5%</td>
<td>25.9%</td>
<td>14.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3.9%</td>
<td>6.8%</td>
<td>20.4%</td>
<td>28.2%</td>
<td>21.4%</td>
<td>19.4%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

4.2.5 Financial Discipline

Respondents were asked to indicate the extent to which they thought the financial discipline helps entrepreneurs to succeed. As summarised in table 14 below, for both the provinces, most entrepreneurs thought financial discipline is a determinant of entrepreneurial success to a large or great extent (89.3%) as opposed to only10% who either thought financial discipline affected entrepreneurial success to ‘no extent’ at all or only to a small extent. In particular, 91.9% (38.8%+53.1%) of the Western Cape based entrepreneurs and 87% (29.6%+57.4%) of the Gauteng based entrepreneurs thought financial discipline was an important factor in the success of entrepreneurs, to a ‘large extent’ or ‘to a great extent’.

Table 14: Financial discipline

<table>
<thead>
<tr>
<th>Where is or was the business located?</th>
<th>Entrepreneur’s financial discipline</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To a Small Extent</td>
<td>To a Large extent</td>
</tr>
<tr>
<td>Western Cape</td>
<td>4.1%</td>
<td>38.8%</td>
</tr>
</tbody>
</table>
4.2.6  **Common Challenges in First Three Years**

Finally, respondents were asked to indicate what the most difficult period of time was in their businesses. Most of them indicated that it was during the first three years (table 15). For Western Cape, 54.2% indicated the first three years while 20.8% indicated the 4 to 5 years. For Gauteng 63% thought the most challenging period of time was the first three years while 13% of the Gauteng respondents thought it was between 4 and 5 years.

**Table 15: Most difficult period of the business**

<table>
<thead>
<tr>
<th>Where is the business located?</th>
<th>In your opinion, what is/was the most difficult period of the business?</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First three Years</td>
<td>4 to 5 years</td>
</tr>
<tr>
<td>Western Cape</td>
<td>54.2%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>63.0%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Total</td>
<td>58.8%</td>
<td>16.7%</td>
</tr>
</tbody>
</table>

The respondents were requested to explain what the biggest challenge was during this period of time. The answers were categorised in the following order of frequency:

- Cash flow management problems (financial management)
- Difficulty in obtaining financing
- Low demand or poor sales
- Poor growth the business
- Difficulty in marketing their products

4.2.7  **External Environment (external factors)**

**a. Ability to Access Finance**

The GEM (2008) reported that inadequate funding to start a business has been consistently indicated as a primary barrier to starting a business for many potential entrepreneurs in South Africa. The GEM further noted that “research has indicated that many entrepreneurs raise the start-up capital from their own or family savings rather than approaching formal institutions or agencies” (GEM 2008).
However, when the business reaches a level where the entrepreneur needs to inject more cash in the business from outside sources, they might have to approach financial institutions. It was acknowledged in the GEM 2008 report that financial (lending) institutions generally require collateral and formal business records as criteria for considering a loan. Therefore, business owners who lack collateral or who have not kept formal records for their business are less likely to be successful when attempting to borrow funds from financial institutions.

As part of the public sector initiatives and in order to ease the access to finance, the ‘Integrated Strategy on the Promotion of Entrepreneurship and Small Businesses’ highlights that the DTI offers a wide range of products and services comprising loans, incentives and grants that play an important role in enabling access to finance for small enterprises through the following institutions:

1. The South African Micro-Finance Apex Fund (Samaf) has been established to provide access to micro-loans and support to the social capital mobilisation. It has a national footprint.

2. Khula Enterprise Finance Limited, tasked with facilitating access to finance, has developed a variety of financing products including credit guarantee schemes in which it has partnered with the country’s major commercial banks to unlock lending to small enterprises. Khula continues to seek new ways to improve access to financial support across the country. This includes partnering with sector departments to develop new sector specific financing programmes for small businesses, and studying different approaches to strengthen the realisation of government goals for small business finance.

3. The National Empowerment Fund (NEF) offers a range of start-up, business growth, and ‘rural community-upliftment financing products’ with a focus on black economic empowerment (BEE) transactions. Through its various business units, the Industrial Development Corporation (IDC) provides sector-focused financing products ranging from R1 million upwards, with designated finance products focused on small business development and black economic empowerment. Provincial development corporations are organs of state that further provide small enterprises with a range of financing products and other support measures.

4. As part of the private sector support programme, certain major banks have partnered with Khula Enterprise Finance Limited to provide small business finance under the Khula Credit Guarantee Scheme. Other players, such as business partners and various
venture capital firms, also play an important role in providing small business finance products (DTI, 2005). The survey results of the entrepreneur’s success factors study showed that 96% (46.6%+39.8%) of the entrepreneurs were of the opinion that access to finance was a determinant of entrepreneurial success either ‘to a large or ‘to great extent’. In Western Cape, those who thought access to finance was critical to entrepreneurial success ‘to a large extent’ or ‘to a great extent’ 53.1% and 32.7% respectively while for Gauteng they were 40% and 46% respectively. The high figures for both provinces may be suggestive of a high association, by entrepreneurs, of access to finance with entrepreneurial success.

Table 16: Ability to access finance

<table>
<thead>
<tr>
<th>Where is or was the business located?</th>
<th>Ability to access finance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To No Extent</td>
</tr>
<tr>
<td>Western Cape % within Where is or was the business located?</td>
<td>.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>.0%</td>
</tr>
<tr>
<td>Gauteng % within Where is or was the business located?</td>
<td>5.6%</td>
</tr>
<tr>
<td>% of Total</td>
<td>2.9%</td>
</tr>
<tr>
<td>Total % within Where is or was the business located?</td>
<td>2.9%</td>
</tr>
<tr>
<td>% of Total</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

b. Government Policies and Programmes on Entrepreneurship Development

Although this report did not focus on the external environment such as government policies, it seemed important to explore and examine the policy framework within which the entrepreneurs are conducting their business.

Various key players in the South African economy share the importance of investing in and stimulating small businesses. To this effect a white paper on the national strategy for the development and promotion of small businesses in South Africa, in which an elaborate policy and strategy framework on small business development was delineated, identified a number of constraints facing small enterprises. These relate to “the legal and regulatory environment, access to markets, access to finance and affordable business premises, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, and access to quality business infrastructure in poor areas or poverty nodes” (DTI, 2005, p.7).
Government effort in trying to stimulate small businesses has embarked on public initiatives or measures under the following broad areas: Easing the regulatory and compliance burden on small enterprises; access to finance; business development services; youth enterprise development; support for women-owned enterprises; incubation and technology acquisition and transfer services; productivity enhancement measures; sector-focused support measures; and skills development measures.

4.2.8 Discussion Conclusion
Through the success factors survey, data was gathered that pointed to the fact that there are some factors or attributes about the entrepreneurs under study that seems to be linked to their success. However, in some instances, this kind of association was not consistent and often appeared to contradict existing literature. Given the small and skewed sample of 103 entrepreneurs that completed the survey, the results cannot therefore be said to be conclusive. Comparing the results between the two provinces often revealed insignificant differences and again the sample might have had an effect. What would have been desirable was to have a sample that was more representative of the two provincial populations in terms of the demographic characteristics of the entrepreneurs as well as the proportionate numbers representing the membership sizes the provincial Chambers of Commerce. This might have yielded slightly different results.

Lastly, external factors such as access to finance play an important role in the success of entrepreneurs. This was apparently clear for all the respondents. The respondents further explained that within the first three difficult years of a business, lack of access to finance was the biggest challenge many of them faced. Other related challenges were poor cash-flow management and poor sales in the early years of business.

4.3 Research Limitations
The survey questionnaire for this study was sent to the respondents by electronic means. This means that only entrepreneurs who had access to the internet were able to participate or complete the survey. As a result a number of entrepreneurs, especially from the black and less affluent population groups who might not have access to the internet were left out of the sampling frame and thus their views were not included and thus not represented. According to the ICT and Entrepreneurship report of 2009, this number could be as high as 42% of the respondents (Herrington and Kew, 2009).
Secondly, the survey used the data base of entrepreneurs registered with the provincial chambers of commerce which however (in all likeliness) may not have contained all the names of the entrepreneurs in the provinces under study. Again this may have led to the omission of many interesting views from those entrepreneurs not registered with these organisations.

Additionally, given that the sampling process did not take into consideration gender, ratio and other demographic characteristics of the South African population, it is possible that some of the views were skewed towards the more represented population groups. The inability to ensure that the sample had a proportionate representation of important demographic characteristics of South African entrepreneurs’ stemmed from the process of sampling. As explained earlier under section 3.2.2 (Sampling and Data Collection), it was not possible to obtain complete and detailed lists of the two sampling frames from which such demographic details would have been taken and representative samples drawn.

4.4 Conclusions

Building from the 2008 GEM report that stated that Gauteng, and the Western Cape remained among the most entrepreneurially active provinces in South Africa, this report sought to determine what, about the entrepreneurs in these provinces, made them more entrepreneurially active than entrepreneurs in other provinces. In other words, what are attributes of the successful entrepreneurs in these two provinces which contributed to their success? The report investigated both the experiences (in their own businesses) and perceptions or opinions of entrepreneurs in Gauteng and Western Cape concerning entrepreneurial attributes and outside factors that contributed to the success of new ventures. The investigation of these experiences and opinions were based on literature that suggested that a set of entrepreneurial attributes as well as some external political and economic conditions determined the success of new ventures.

Based on the extant information about the entrepreneurship environment in South Africa and on the results of the Entrepreneurship Success Factors Survey, it could not be conclusively determined that a set of entrepreneurial attributes exist that would ensure success of any entrepreneurs if they were to learn from them. However, some of the findings of the survey agreed with already existing data that some entrepreneurial attributes positively correlated with the success of new ventures in both provinces. Some of these include:
(i) Assistance to the entrepreneur based on the fact that a higher percentage of successful entrepreneurs also received assistance from their friends and/or relatives.

(ii) Education and training of the entrepreneurs based on a high percentage of respondents indicating that education helped them to succeed in their businesses while some successful entrepreneurs with businesses of over 6 years also had training in business related courses.

(iii) Financial discipline based on the opinions of the respondents’ that financial discipline was critical to their success.

(iv) Prior business experience based on the respondents’ opinions that previous business experience helped entrepreneurs to succeed.

Lastly, regarding external factors, access to finance was noted by entrepreneurs as being very important in ensuring success of entrepreneurs. This was supported by the views expressed by the respondents which showed that within the first three years of the existence of a business venture, the biggest challenge or threat to failure is lack of access to finance.

It must be noted generally that given the relatively small and slightly skewed sample size of 103 respondents, some of the results may not have reflected the true picture of the entrepreneurial success factors in Western Cape and Gauteng. In order to better reflect a more accurate picture of success factors effecting entrepreneurs in the two provinces, a larger sample would be desirable. In a sample such as was used in this report an error may arise “from activities or events that are related to the sampling process and are connected with issues generalizability or external validity of finding.

4.5 Future Research Directions

The main aim of this report was to try and establish the factors that determine the success of entrepreneurs in terms of the success of the businesses they own. These factors were described as being either internal (pertaining to the attributes of the entrepreneur or external (partnering to the business environment in which the entrepreneur operates his or her business). The focus was on the respondents who reside in Western Cape or Gauteng province. The two provinces were chosen because even though, according the GEM reports, South Africa has had a consistently low TEA rate over the years; Gauteng and Western Cape have had the highest such rates in the country. In order to better comprehend the entrepreneurship success factors for the whole country, further research is called for to include all provinces in the country including those with low TEA rates.
Secondly, this report did not focus on comparing the economic factors prevailing in the provinces. The GDP figures from the different provinces were clearly very different and therefore research linking the provincial GDP figures with TEA rates might be worthwhile.

Thirdly, there was overwhelming evidence in terms of the opinions of the entrepreneurs suggesting that availability or access to finance was one of the most important factors to entrepreneurial success. This information was also found to be available to the South African Government and even though provision of finance for small businesses is one of the stated objectives in the South Africa Integrated Strategy for the Promotion of Entrepreneurship and Small Businesses, the problem of lack of access to finance still continues to be mentioned by entrepreneurs as one of the hindrances to the success of their businesses. Further research on why the various public and private efforts and programmes aimed at addressing this problem are not being effective, needs more investigation.

Finally, further research would be desirable into what kind of education and training is more appropriate for entrepreneurs to enhance their chances of success.
References


# Appendix 1: Questionnaire

## Factors Determining the Success of Entrepreneurs

### Background and demographic details

1. **What is your gender?**
   - Male
   - Female

2. **What is your age?**
   - Indicate age at last birthday
   - 18 to 25
   - 26 to 30
   - 31 to 40
   - 40 to 50
   - Above 50

### Business ownership

3. **Have you ever operated your own business?**
   - This could be either on your own or with another party.
4. When did you start the business?*

- [ ] 1 to 2 years ago
- [ ] 3 to 4 years ago
- [ ] 5 to 6 years ago
- [ ] More than 6 years ago
- [ ] Not applicable

5. What sector is or was your business in?*

- [ ] Agriculture
- [ ] Entertainment
- [ ] Financial Services
- [ ] Manufacturing
- [ ] Retail/distribution
- [ ] Transport
- [ ] Tourism
- [ ] Not applicable
- [ ] Other, please specify
6. Is the business still in existence?*

☐ Yes

☐ No

7. Where is or was the business located?*
Choose the headquarters if there are or were multiple branches.

☐ Gauteng

☐ Western Cape

☐ Other, please specify

8. Why did you choose to start the business in this province?
Why not other provinces?

9. If the business no longer exists, when did it close down?*
How long after opening did the business close? If still operational, skip.

☐ Within the first year

☐ Within 2 years
10. List the three main reasons why you think the business failed

11. Have you ever had any formal education?*
   Have you ever attended primary or high school or a tertiary education institute?
   
   - Yes
   - No

12. What was the highest level of education you attained?*
   
   - Primary school
13. Did your education help you in your business?

☐ Yes
☐ No

14. If you have had formal education, to what extent do you think your education helped you to succeed in business?

☐ To no extent at all
☐ To a small extent
☐ To a large extent
☐ To a great extent

15. Have you ever had any formal training in a business related field*

☐ Yes
☐ No

16. If you answered yes to the question above, please specify the course *

Please just type "not applicable" if you have not done any business course before
17. Do you think that your business training helped you to succeed in your business

[ ] Yes
[ ] No

Family support

18. Have any of your friends and/or family members ever helped you in your business?*

[ ] Yes
[ ] No

19. If you answered "yes" to question 15, please give short explanation

[ ] To no extent at all

20. To what extent do you think connections of family and/or friends help you to succeed in business*

[ ] To no extent at all
21. To what extent do you think support from family and/or friends help you to succeed in business?*
   Support could be financial, emotional, guidance, etc.
   - To no extent at all
   - To a small extent
   - To a large extent
   - To a great extent

22. Have any of your friends and/or family members ever owned a business?*
   - Yes
   - No

Prior business experience

23. Did you have any previous business experience before starting your own business?*
   - Yes
   - No
24. To what extent do you think previous business experience helps you to succeed in business? 
   If you haven't had any prior experience, skip this question
   - [ ] To no extent at all
   - [ ] To a small extent
   - [ ] To a large extent
   - [ ] To a great extent

25. To what extent do you think the following factors affect business success? *
   Please rate on a scale from 1 to 4, where 1 means "no influence" and 4 means "very strong influence"

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience of the entrepreneur</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Education levels of the entrepreneur</td>
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<td></td>
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<tr>
<td>Connections of family and friends</td>
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<tr>
<td>Ability to access finance</td>
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<tr>
<td>Entrepreneur’s financial discipline</td>
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<tr>
<td>Age of entrepreneur</td>
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<tr>
<td>Location (province)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

26. To what extent do you think each of the following influences business failure?*
   Please rate on a scale from 1 to 4, where 1 means "no influence" and 4 means "very strong influence"

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of business skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
27. In your opinion, what is/was the most difficult period of the business?*

- First three years
- 4 to 5 years
- 6 years and after

28. What is/was the biggest challenge during this period? *