

SMALL BUSINESS OWNER-MANAGERS' PERCEPTIONS OF ENTREPRENEURSHIP IN THE EMFULENI DISTRICT

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Abstract

The primary objective of this study was to analyse small business owner-managers' perceptions of entrepreneurship and their motives to start their businesses in the Emfuleni district in South Africa. A total of 307 useable questionnaires were gathered and utilised for the statistical analysis. There were three statements that small business owner-managers perceived to be most applicable to them, i.e. entrepreneurs work longer hours and harder than managers in large companies; money is the most important start-up ingredient; and entrepreneurs experience a great deal of stress and as a consequence pay a high price of their health. With regard to the entrepreneurial motives, an Oblimin oblique rotation was performed on the principal components of the exploratory factor analysis. Two factors with eigenvalues greater than one were extracted describing the theoretical dimensions of the entrepreneurial motive and the non-entrepreneurial motive. The owner-managers indicated that the entrepreneurial motives, to have more satisfaction in work, to be independent, and to use own creative skills, were the most important motives for them venturing into entrepreneurship. No practically significant relationship could be found between the extracted factor, the entrepreneurial motive, and the demographical variables in this study. Practical recommendations are offered to entrepreneurs, the government and business educators.

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1 Introduction

Rocha (2005: 365, 366); Bradley and Roberts (2004: 37) and Ligthelm and Cant (2003: 41) emphasised that the contribution by small businesses in terms of employment and income generation is seen as very important and is increasingly being underscored around the world. South Africa is no exception. Various authors, like Döckel and Ligthelm (2005: 54); Jeppesen (2005: 468-470); Burger, Mahadea and O'Neill (2004: 203); Naudé and Krugell (2003: 5) and Horton, Honderich and Modise (2000: 45-50) confirm the importance of small businesses as the engine of sustainable job and wealth creation in South Africa. Parker, Riopelle and Steel (1995) emphasised that the small-scale business sector is continuing to be one of the fastest growing and salient sectors in Sub-Saharan Africa as far as labour absorption

and poverty reduction are concerned. The start-up of new small businesses and the sustainability of existing small businesses are, therefore, crucial for economic development and poverty alleviation in South Africa (Marais, 2005: 28; Petrakis, 2005: 243).

Human (1998: 86) affirms that the entrepreneur is the most crucial factor in the successful creation of new businesses. Bekker and Staude (1988: 3-4) confirm this notion and emphasised that entrepreneurial behaviour forms the backbone of the small business system. Janse van Vuuren (2005: 20) is concerned that South Africa still has far too few entrepreneurs compared to other developing countries. This notion is confirmed by the 2006 South African Global Entrepreneurship Monitor (GEM) report (Maas & Herrington, 2006). The GEM 2006 report highlighted that entrepreneurial activity in South Africa is not sufficient if South Africa wants to sustain economic growth rates

that will create prosperity for the people (Maas & Herrington, 2006: 4).

Entrepreneurship and small business development are, therefore, a necessity in South Africa to create employment and improve the standard of living of the nation. In order to achieve sustained growth and address the economic development challenges of the country, more successful entrepreneurs are required to enhance the small business sector.

The South African National Small Business Act (1996) and National Small Business Amendment Bill (29/2004: 2) classify micro, very small and small businesses as businesses that employ less than 50 full-time equivalent of paid employees.

The focus of this study was thus micro, very small and small businesses, as defined above. For the purpose of this study, the term *small businesses* will be used to describe the businesses under investigation.

2

Problem statement

Job creation and poverty alleviation are pressing challenges facing South Africa today (Döckel & Ligthelm, 2005: 54; Jeppesen, 2005: 468-470; Bradley & Roberts, 2004: 37; amongst others). The South African capacity to address the high unemployment and poverty levels are partly hampered by a relatively low entrepreneurial activity. According to the South African 2006 Global Entrepreneurship Monitor report (Maas & Herrington, 2006), South Africans, in comparison with other developing countries, lack the entrepreneurial spirit that is pivotal for entrepreneurship to play a vital role in economic development and wealth creation in the country.

Janse van Vuuren (2005: 20) states that the reason for the comparatively low entrepreneurial activity in South Africa may be due to a lack of knowledge or self-confidence to start a business. In the past, the public and corporate sector made a sufficient contribution to sustain a relative stable South African economy. In light of current economic challenges and needs, the time has come that entrepreneurship takes its rightful place as driver of the economy.

In the opinion of the authors not enough prospective entrepreneurs in South Africa have an objective idea of the risks and challenges of entrepreneurship. The lack of access to information and research findings on this topic and too few role models are contributing factors. As Pinfeld (2001: 279) clearly pointed out, in a study of small business development in New Zealand, entrepreneurs are over optimistic about the rewards of entrepreneurship, and to add to this, they underestimate the risks and sacrifices. Pinfeld (2001: 279) moreover, argues that this could contribute to the high failure rate of start-up businesses. Dwyer and Ryan (2000: 345-353) also highlighted the high failure rate of new business start-ups and suggested more emphasis on management development of entrepreneurs to better prepare them for the challenges and surprises of entrepreneurship. Also refer to the discussions by Koellinger, Minniti and Schade (2006: 502-527) and Forbes (2005: 623-640) on the dangers of overconfidence of entrepreneurs.

It is, therefore, critical that prospective entrepreneurs have a clear picture of the challenges and rewards of entrepreneurship. The findings of this research could provide valuable insight into the perceptions of small business owner-managers in the Emfuleni district concerning entrepreneurial myths and their motives for starting their respective businesses. The purpose is to transfer the findings to prospective and active entrepreneurs to give them insight into the challenges facing small businesses owners.

3

Research objectives

The primary objective of this study was to analyse small business owner-managers' perceptions of entrepreneurship and their motives to start their businesses in the Emfuleni district in South Africa. In order to address the primary objective, the following secondary objectives were formulated:

- To obtain insight into the perceptions of owner-managers on entrepreneurship and their motives for starting their businesses by means of a literature review.

- To identify the items that could measure the perceptions of owner-managers on entrepreneurship and their motives for starting their respective businesses.
- To analyse the perceptions of owner-managers on entrepreneurship with specific reference to the entrepreneurial myths discussed in the study.
- To analyse the perceptions of owner-managers on the motives for starting their respective small businesses.
- To validate the questionnaire measuring the entrepreneurial motives by means of statistical analysis.
- To examine the relationships between the construct, the entrepreneurial motive, and the demographical variables by means of paired tests and effect sizes.
- To make practical recommendations to enable and empower prospective and current entrepreneurs to gain insight into the challenges and risks of entrepreneurship as perceived by active small business entrepreneurs.
- To offer practical recommendations to government and educators in order to ensure the transfer of information and research finding to prospective and active entrepreneurs.

4

Literature review

Numerous attempts have been made to articulate conceptual and operational definitions of the entrepreneur and entrepreneurship. Various scholars reviewed existing definitions, made attempts of consolidation of thoughts and conceptualised another definition of entrepreneurship (Timmons & Spinelli, 2007: 79; Zahra & Dess, 2001: 8-10; Shane & Venkataraman, 2000: 218, 219; Gartner, 1989: 47-67). However, it is not the intention to discuss all these definitions, because it does not form part of the focus for this research.

Longenecker, Moore, Petty and Palich (2006: 50) state that entrepreneurs are the energisers, who take risks, provide jobs, introduce innova-

tions, and spark economic growth. Kuratko and Welsch (2004: 2) express that entrepreneurship is the very symbol of business tenacity and achievement, as entrepreneurs were the pioneers of today's business success. Their sense of opportunity, their drive to innovate, and their capacity for accomplishment have become the standard by which free enterprise is measured.

Shane, Locke and Collins (2003: 257, 258) have the opinion that a person cannot win a game that he or she does not play. In the context of entrepreneurship, this statement suggests that success depends on people's willingness to become entrepreneurs. Shane *et al.* (2003: 258) add that the willingness of a person to play the game of entrepreneurship could influence his or her decision to positively evaluate opportunities, to pursue resources and to design mechanisms to exploit or pursue opportunities – the building blocks of successful entrepreneurship.

4.1 Entrepreneurial myths

Various authors like Timmons and Spinelli (2007, 18-20); Corman and Lussier (2001: 1/12); Sightler (2001: 13-32); Steyn (1998: 11, 12); Morris (1998: 1-11); Bekker and Staude (1988: 2-4) mentioned that certain general perceptions or myths of entrepreneurship may discourage many prospective entrepreneurs from taking the chance. The myths include, the following general statements: Entrepreneurs are born, not made; Someone has to supply you with a job; Anyone can start a business; Entrepreneurs are gamblers; Entrepreneurs are their own bosses and completely independent; Entrepreneurs work longer and harder than managers in large companies; Entrepreneurs experience a great deal of stress and pay a high price; Starting a business is risky and often ends in failure; Money is the most important start-up ingredient; Entrepreneurs should be young and energetic; If an entrepreneur is talented, success should happen in a year or two; and Any entrepreneur with a good idea can raise venture capital.

De Swardt (2006: 30-33) presented a detailed discussion of the general statements or myths of entrepreneurship. According to Timmons and Spinelli (2007: 18-20) and Bekker and Staude (1988: 2-4), these myths should be investigated

and put in perspective in order to change the negative perceptions based on them.

4.2 Motives for starting a small business

Various scholars have investigated or described the motives for starting a small business or venturing into entrepreneurship (De Pillis & Reardon, 2007: 382-396; Wilson, Marlino & Kickul, 2004: 181-184; Shane *et al.*, 2003: 258; Alstete, 2002: 222-234; Gatewood, Shaver & Gartner, 1995: 371-391). According to Goffee and Scase (1995: 3), the prime motive for business start-up is usually associated with financial reward. They state that there are, however, a range of motives for small business start-ups, many of which stem from personal needs for independence and self-fulfilment. Human (1998: 83-84) claims that people start their own businesses for the following reasons, namely: higher income, greater job satisfaction, to be one's own boss, to utilise a new idea, to care for a family, to develop other talents and for self esteem.

In a study done by De Groot, Nijkamp and Stough (2004: 256-257) it was found that the most important motive for why people start their own businesses is to be independent. To be a business owner, according to Scarborough and Zimmerer (2003: 11), will provide the entrepreneur with independence, as well as the opportunity to achieve what is important to oneself. Barbee (2005: 43) confirms this notion and adds that the independence of initiating actions and making decisions have long been recognised as a vital trait of an entrepreneur. Motives like grasping opportunities and material prosperity ranked lower than that of personal achievement (De Groot *et al.*, 2004: 256-257).

Many people start their own business only to escape having to take orders from somebody else (Goffee & Scase, 1995: 3). For the potential entrepreneur working in a bureaucratic organisation, it sounds very attractive being able to make one's own strategic decisions, and controlling the destiny of one's own business. Clark and Louw (1995: 6) warn, however, that the feeling of independence is sometimes only an illusion, as the demands of starting the new

business are sometimes so exhausting and can easily lead to an enclosure of one's freedom. Steyn (1998: 2) states that personal advantages can be integrated more effectively in one's own business than in the corporate environment, as entrepreneurship offers entrepreneurs a feeling of self-sustainability. Entrepreneurship, therefore, is an attractive option for many. Although financial security remains an important goal for most entrepreneurs, they still want the freedom to spend more time with family and friends, choose where they live and work, as well as the hours that they work (Scarborough & Zimmerer, 2003: 15).

5

Research methodology

5.1 Development of the measuring questionnaire

The literature review provided valuable insight into owner manager's perceptions of entrepreneurship and their motives for starting their respective small businesses. Based on the literature review, 12 general perceptions or myths of entrepreneurship (as described by Timmons & Spinelli, 2007: 18-20) were identified and a questionnaire was constructed to measure these perceptions. The questionnaire assessed the 12 myths on the basis of a 5-point Likert-type scale ranging from Strongly agree (1) to Strongly disagree (5). In respect of each myth, subjects have to indicate their agreement regarding the myth on the given scale (refer to Huysamen 1994: 125; Welman & Kruger 1999: 155).

Furthermore, nine motives for starting a small business were identified. The nine motives were assessed on the basis of a 5-point Likert-type scale ranging from Very important (1) to Not important at all (5). In respect of each motive, subjects have to indicate the perceived importance of the particular motive for starting their respective businesses on the given scale.

Demographic information, which included an indication of the participating owner manager's age, highest academic qualification, business management experience and experience of business failure in the past, was also collected.

5.2 The study population

The study population of this study was small businesses in the Emfuleni district. The Emfuleni district is situated in Southern Gauteng in South Africa and includes the industrial towns Sasolburg, Vanderbijlpark, Vereeniging and Meyerton. The Emfuleni district could be regarded as an accurate representation of a typical business environment in the greater South Africa. An industry register of the Emfuleni Local Municipality (Emfuleni Local Municipality, 2005) was utilised in order to identify the study population. This industry register contains a census of all registered businesses in the region, irrespective of size, and consists of 6 610 businesses. It was, however, not possible to establish how many of the businesses included in the Emfuleni register could be classified as micro, very small or small businesses.

The study population of the research was, therefore, all the small businesses included in the register provided by the Emfuleni Local Municipality. The classification of the size of the businesses was done on the number of full-time equivalent of paid employees in the business (National Small Business Act, 1996; National Small Business Amendment Bill, 2004: 2).

5.3 Data collection

The techniques to distribute and complete the questionnaires included personal delivery of questionnaires, followed up by telephone calls and telephone interviews (Neuman, 1997: 251–263; Bless & Higson-Smith, 1995: 112; Du Plooy, 1995: 109–124).

The owner-managers of randomly-selected businesses on the Emfuleni register (every 10th business on the list) were contacted by telephone to confirm the size of their businesses and their willingness to participate in the study. As a result of that, a database of 420 small businesses was compiled. The questionnaires were then delivered in person to the owner-managers of the 420 businesses and an arrangement was made to collect the completed questionnaires at an agreed upon date later on. Outstanding and incomplete questionnaires were followed up by telephone calls and 307 usable questionnaires were collected and utilised for the statistical

analysis of the data. This constitutes a 73 per cent response rate of the delivered questionnaires.

5.4 Statistical analysis

The data collected was statistically analysed, using Statistica (Statsoft, 2006) and SPSS (SPSS, 2005). The arithmetic mean, mean and standard deviation values of the owner manager's evaluation of the items measuring the entrepreneurial myths and motives for starting their respective businesses were calculated. Construct validity of the questionnaire measuring the entrepreneurial motives was assessed by means of an exploratory factor analysis and by calculating Cronbach alpha coefficients. Thereafter, the relationships between the extracted factor, the entrepreneurial motive, and the demographic variables were explored by means of paired tests.

To address the objectives of this study, the following propositions were formulated:

- P^{1a}:** The questionnaire measuring the entrepreneurial motives has acceptable construct validity
- P^{1b}:** The questionnaire measuring the entrepreneurial motives has acceptable reliability
- P^{2a}:** There is a relationship between the extracted factor, **the entrepreneurial motive**, and the **age** of the participating owner-managers
- P^{2b}:** There is a relationship between the extracted factor, **the entrepreneurial motive**, and the **academic qualification** of the participating owner-managers
- P^{2c}:** There is a relationship between the extracted factor, **the entrepreneurial motive**, and the **business management experience** of the participating owner-managers
- P^{2d}:** There is a relationship between the extracted factor, **the entrepreneurial motive**, and the **experience of business failure in the past** by the participating owner-managers.

The results of the statistical analysis were used to draw certain conclusions and recommendations with regard to the perceptions of owner-managers on entrepreneurship and their motives for starting their respective small businesses obtained from the empirical study.

6 Results and discussion

6.1 Demographical information

All the respondents (307) that participated in this study are the owner-managers of the small businesses investigated. The majority of the owner-managers fall in the age categories 30-39, 37.1 per cent, 40-49, 26.7 per cent and over the age of 50 years 19.5 per cent. A total of 75 per cent of the owner-managers that participated in this study are male and 25 per cent female.

A total of 4.6 per cent of these owner-managers have lower than Grade 12, 39.7 per cent have a Grade 12 qualification, 33.2 per cent obtained a tertiary certificate or diploma and 22.5 per cent have a graduate or post graduate qualification. A total of 26.4 per cent of the participating owner-managers have less than five years business management experience, 32.6 per cent between five and 10 years, and 41 per cent more than 10 years experience.

All the businesses investigated in this study can be categorised as small businesses in the South African context (less than 50 permanent employees).

A total of 65.8 per cent owner-managers indicated that their businesses are more than five years old, 30.6 per cent businesses are between one and five years old and only 3.6 per cent businesses are less than one year old. Only 14.3 per cent of the 307 owner-managers, experienced small business failure in the past.

6.2 General statements or myths about entrepreneurship

The average response to each of the 12 stated entrepreneurial myths is shown in Table 1. Based on a 5-point scale (1 = Strongly agree; 5 = Strongly disagree), relatively low numbers agree with the statement while relatively high numbers disagree with it. This suggests that the statement is perceived as untrue. Likewise, a low number representing agreement with the statement suggests that the statement is perceived to be true.

Table 1
Entrepreneurial myths scale items descriptive statistics

Item/statement	n	Mean ($\bar{x}$)	Standard deviation
Entrepreneurs work longer hours and harder than managers in big companies	307	1.97	0.93
Money is the most important start-up ingredient	307	2.19	0.97
Entrepreneurs experience a great deal of stress and pay a high price to the detriment of their health	307	2.35	1.04
Entrepreneurs are their own bosses and completely independent	307	2.52	1.18
If an entrepreneur is talented, success will happen in a year or two	307	2.63	1.11
Starting a business is risky and often ends in failure	307	2.65	1.01
Entrepreneurs are born, not made	307	2.82	1.18
Any entrepreneur with a good idea can raise venture capital	307	3.06	1.24
Anyone can start a business	307	3.21	1.24
Entrepreneurs are gamblers	307	3.21	1.21
Entrepreneurs should be young and energetic	307	3.27	1.04
Someone has to provide you with a job	307	3.69	1.08
Total (Average of individual scale items)	307	2.80	

The average entrepreneurial myth scale score of 2.80 indicates that, overall, subjects are in slight disagreement with the statements and this suggests, that on average, the statements may be perceived as untrue. The item, entrepreneurs work longer hours and harder than managers in big companies ($\bar{x}=1.97$) has the lowest average score. This indicates a relatively strong agreement with the statement. The two statements, money is the most important start-up ingredient ($\bar{x}=2.19$), and entrepreneurs experience a great deal of stress and pay a high price to the detriment of their health ($\bar{x}=2.35$), also obtained low average scores. The four statements, entrepreneurs are their own bosses and completely independent ($\bar{x}=2.52$), if an entrepreneur is talented, success will happen in a year or two ($\bar{x}=2.63$), starting a business is risky and often ends in failure ($\bar{x}=2.65$), and entrepreneurs are born, not made ($\bar{x}=2.82$), obtained relatively average scores. The subjects, however, scored the five statements, i.e. any entrepreneur with a good idea can raise venture capital ($\bar{x}=3.06$), anyone can start a business ($\bar{x}=3.21$), entrepreneurs are gamblers ($\bar{x}=3.21$), entrepreneurs should

be young and energetic ($\bar{x}=3.27$); and someone has to provide you with a job ($\bar{x}=3.69$), relatively high, indicating a relatively strong disagreement with the respective statements. Notice that the standard deviation across all 12 averages is fairly high, ranging from 0.97 to 1.24 (on a 5-point scale).

6.3 Motives for starting a small business

Subjects were, furthermore, requested to indicate their perception of the importance of nine motives for starting their respective small business. Responses were indicated on a 5-point Likert-type scale ranging from 1 = Very important to 5 = Not important at all. A lower number representing a relative high perceived importance of the motive to the subject. A higher number, on the other hand, representing a relative low perceived importance of the motive to the subject. The average scores to each of the nine entrepreneurial motives is subsequently presented in Table 2 ranging from the lowest to the highest mean score obtained on the indicated scale.

Table 2
Entrepreneurial motives scale items descriptive statistics

Entrepreneurial motive	n	Mean ($\bar{x}$)	Standard deviation
To have more satisfaction in work	307	1.50	0.75
To be independent	307	1.57	0.77
To use own creative skills	307	1.67	0.80
To be the decision maker	307	1.77	0.87
To meet a service or need of society	307	1.77	0.86
To exploit market opportunities	307	1.86	0.91
To make a lot of money	307	1.90	0.98
To supply work to relatives	307	3.20	1.25
To be able to work at home	307	3.81	1.14

According to the subjects that participated in this research, the most important motive for starting their respective small business was to have more satisfaction in work ($\bar{x}=1.50$),

followed by the two motives, to be independent ($\bar{x}=1.57$), and to use your own creative skills ($\bar{x}=1.67$). The subjects scored the four motives, to be the decision maker ($\bar{x}=1.77$), to meet a

service or need of society ($\bar{x}=1.77$), to exploit market opportunities ($\bar{x}=1.86$), and to make a lot of money ($\bar{x}=1.90$), also as relatively important to them. The owner-managers however rated the two motives, to supply work to relatives ($\bar{x}=3.20$), and to be able to work at home ($\bar{x}=3.81$), as relatively unimportant motives when starting their respective small businesses. The findings indicated a wide range of responses from very important to not important at all. Notice that the standard deviation across all nine averages is fairly high, ranging from 0.75 to 1.25 on the 5-point scale.

6.4 Construct validity of the questionnaire measuring entrepreneurial motives

To assess the discriminant validity of the nine items measuring the entrepreneurial motives of

small business owner-managers, an exploratory factor analysis was conducted using the computer programme SPSS (SPSS, 2005). In this study, there was theoretical justification to believe that the factors measuring the entrepreneurial motives would correlate with each other, and therefore an Oblimin oblique rotation was performed on the principal components of the exploratory factor analysis, as suggested by Field (2005: 636).

Kaiser's criterion was used to determine the number of factors to be extracted, namely to retain factors with eigenvalues greater than one (Field, 2005: 735). All nine items demonstrated sufficient discriminant validity by loading to a sufficient extent and, therefore, no item was deleted. The pattern matrix of the nine items is provided in Table 3. Factor loadings greater than 0.40 were considered significant.

Table 3
Factor loadings on the motives for starting a small business ⁽¹⁾

Variable	Factor 1	Factor 2	Communalities
To exploit market opportunities	0.771	0.204	0.642
To be the decision maker	0.744	0.014	0.553
To use own creative skills	0.723	-0.207	0.560
To have more satisfaction in work	0.710	-0.132	0.518
To be independent	0.701	-0.137	0.507
To meet a service or need of society	0.687	0.211	0.521
To make a lot of money	0.565	0.066	0.325
To be able to work at home	0.066	0.793	0.635
To supply work to relatives	-0.064	0.741	0.552
Variance explained	3.465	1.349	
Proportion of total variance explained	0.385	0.150	

(1) Loadings greater than 0.40 were considered significant

(2) The two extracted factors were labelled as follow:

Factor 1: The entrepreneurial motive

Factor 2: The non-entrepreneurial motive

Two factors with eigenvalues greater than one, explaining 53.48 per cent of the variance before rotation, were extracted in the exploratory factor analysis. After rotation, these factors could be identified as the theoretical dimensions

of **the entrepreneurial motive** and **the non-entrepreneurial motive**. When factors are correlated, sums of squares of loadings cannot be added to obtain a total variance explained for the rotated factors as in the case of uncorrelated

factors (SPSS, 2005). The Kaiser-Meyer-Olkin measure of sampling adequacy of 0.836 indicates that patterns of correlations are compact and that factor analysis should yield reliable factors (Field, 2005: 640).

Factor one, labelled **the entrepreneurial motive**, comprised seven items and accounted for 38.52 per cent of the variance. This factor incorporates the motives, to exploit market opportunities, to be the decision maker, to use own creative skills, to have more satisfaction in work, to be independent, to meet a service or need of society, and to make a lot of money. Factor 2, labelled **the non-entrepreneurial motive**, comprised only two items, i.e. to provide employment to relatives, and to be able to work at home, and accounted for 14.96 per cent of the variance.

The exploratory factor analysis, together with the interpretability of the factors, provides some evidence of construct validity, indicating that Proposition 1a (P^{1a}) can be accepted.

6.5 Reliability of the questionnaire measuring the entrepreneurial motives

In order to determine the internal consistency between the items of the questionnaire, Cronbach alpha coefficients were calculated (Page & Meyer, 2000: 292). An instrument that produces different scores every time it is used on the same person under the same conditions has low reliability (Field, 2005: 666). The Cronbach alpha coefficient is based on the average correlation of variables within a test (SAS Institute, Inc., 2005: 295). The greater the Cronbach alpha coefficient, the more reliable the scale. A Cronbach alpha coefficient greater than 0.7 could be interpreted as reliable and internally consistent (SAS Institute Inc., 2005).

Table 4 shows the reliability and internal consistency between the different factors by means of the Cronbach alpha coefficient.

Table 4

Evaluation of the reliability of the questionnaire measuring the motives for starting a small business

Factor	Description	Cronbach alpha
1	The entrepreneurial motive	0.823
2	The non-entrepreneurial motive	0.420

From Table 4 it is clear that only factor 1, the entrepreneurial motive, can be considered as reliable and internally consistent. The non-entrepreneurial motive is not reliable, and will therefore be ignored in further statistical analysis. Proposition 1b (P^{1b}) can thus not be accepted.

6.6 Relationships between the construct, the entrepreneurial motive, and demographical variables

Statistical significance tests have the tendency to yield small p-values (indication of significance) as the size of the data set increases. The effect size, however, is independent of sample size and is a measure of practical significance (Ellis & Steyn, 2003: 51). In this study, p-values and effect sizes (d-values) were calculated between

the mean values to examine the relationship between the construct, **the entrepreneurial motive** (refer to Table 3), and the demographic variables **age, academic qualification, business management experience and experience of business failure in the past**. The results are shown in Table 5. For the purpose of this study, the demographical variables are classified according to the following categories:

- Age: Younger than 40 years old, 40 years and older
- Academic qualification: Matriculation and less, Tertiary education
- Business management experience: 5 years and less, More than 5 years
- Experience of business failure in the past: Yes, No

A natural way to comment on practical significance is to use the standardised difference between the means of two populations, i.e. the difference between the two means divided by the estimate for standard deviation, $d = \frac{|\bar{x}_{diff}|}{s_{diff}}$, where $|\bar{x}_{diff}|$ is the difference between the average scores of active and inactive family members, without taking the sign into consideration, and s_{diff} is the standard deviation of the difference.

Effect sizes (d) will be interpreted, according to Cohen's guidelines, as follows: small effect

($d = 0.2$), medium effect ($d = 0.5$) and large effect ($d = 0.8$). Results with medium effects can be regarded as visible effects and with $d \geq 0.8$ as practically significant, since it is the result of a difference having a large effect (Field, 2005: 32; Ellis & Steyn, 2003: 51-53; Thompson, 2001: 80-93).

Table 5 shows the relationship between the construct, the entrepreneurial motive and the demographic variables, with mean ($\bar{x}$), standard deviation (s), p -values (p) and effect sizes (d) of small business obstacles.

Table 5

Relationships between the construct, the entrepreneurial motive, and the demographic variables

Variable	Classification	The entrepreneurial motive			
		$\bar{x}$	s	p	d
Age	< 40	1.68	0.56	0.23	-0.13
	≥ 40	1.76	0.62		
Academic qualification	$\leq$ Matric	1.69	0.59	0.47	-0.08
	> Matric	1.74	0.59		
Business management experience	≤ 5 yrs	1.79	0.64	0.21	0.14
	> 5 yrs	1.70	0.57		
Experiencing business failure in the past	Yes	1.78	0.58	0.48	0.12
	No	1.71	0.60		

None of the demographical variables **age**, **academic qualification**, **business management experience** and the **experience of business failure in the past**, had a statistical ($p < 0.05$) or practical significant (refer to Cohen's guidelines) effect on the construct, **the entrepreneurial motive**.

The variable **age** (<40 years; ≥ 40 years) has only a very small effect on the construct **the entrepreneurial motive** ($d = 0.13$). The results indicate that, although the owner-managers younger than 40 years evaluated the items measuring the motives for starting their respective small businesses as more applicable to them compared to owner managers older than 40 years, it could not be regarded as a practically significant difference. Proposition 2a (P^{2a}) can not be accepted.

The variable **academic qualification** ($\leq$ Matric, > Matric) has only a small effect on the

construct **the entrepreneurial motive** ($d = 0.08$). The results indicate that, although the owner-managers with an academic qualification higher than matric evaluated the items measuring the motives for starting their respective small businesses as less applicable to them than owner managers with an academic qualification of matric and lower, it could not be regarded as a practically significant difference. Proposition 2b (P^{2b}) can not be accepted.

The variable **business management experience** (≤ 5 years, > 5 years) has only a small effect on the construct **the entrepreneurial motive** ($d = 0.14$). The results indicate that, although the owner-managers with more than 5 years management experience evaluated the items measuring the motives for starting their respective small businesses as more applicable to them than the owner managers with less than

5 years management experience, it could not be regarded as a practically significant difference. Proposition 2c (P^{2c}) can not be accepted.

The variable **experience of business failure in the past** (yes; no) has a very small effect on the construct **the entrepreneurial motive** ($d = 0.14$). The results indicate that, although the owner-managers that experienced business failure in the past evaluated the items measuring the motives for starting their respective small businesses as more applicable to them in comparison with the owner managers that have not experience business failure in the past, it could not be regarded as a practical significant difference. Proposition 2d (P^{2d}) can thus not be accepted.

7

Conclusions

Twelve statements have been advanced that purport to represent common myths about entrepreneurs and entrepreneurship. Establishing the content validity of these presumed myths is a challenge. If the statements were, in fact, generally perceived misconceptions about entrepreneurship, then this would be confirmed, in part, by a significant proportion of the population agreeing with the statements. The findings of this study, although administered to a limited sample of small business owner-managers, suggested a relative disagreement with the statements. Given the limitations like the lack of a sound theoretical base to confirm the myths as well as the limited sample, it can thus be concluded that this evidence does not support these statements to be common myths about entrepreneurship. More in-depth research on this topic is thus needed to establish the content validity of these presumed myths.

The findings of this study are broadly consistent with expectations. To begin with, the owner-managers that participated in the research, indicated that the following general statements or myths about entrepreneurship are applicable to them: Entrepreneurs work longer hours and, often, harder than managers in large companies, Money is an important start-up ingredient, and Entrepreneurs experience a great deal of stress and could as a consequence pay a high price for

their health. These findings hold implications for prospective entrepreneurs. Various researchers warned against founder overconfidence and the underestimation of what it takes to be a successful entrepreneur (Pinfold, 2001: 279-285; Hayward, Shepherd & Griffin, 2006: 160-172). Prospective entrepreneurs should, therefore, take note of these perceptions. This could limit unpleasant surprises after start-up and prepare them for the unknown path of entrepreneurship. That could, eventually, lead to less small business failures.

The majority of owner-managers indicated that the most important motives for starting their respective small business were to have more satisfaction in work, to be independent, to use creative skills, to be the decision maker, to meet a service or need in society or to exploit market opportunities. This study, therefore, confirms earlier research done on this topic (Goffee & Scase, 1995: 3; Human, 1998: 83-84; De Groot *et al.*, 2004: 256, 257).

The construct validity and reliability of the questionnaire used in establishing the motives for starting a small business have been established. Two factors describing the motives, labelled the entrepreneurial motive and non-entrepreneurial motive, were extracted. As the Cronbach alpha coefficients of only the factor, the entrepreneurial motive, exceed 0.80, whilst the factor, the non-entrepreneurial motive, obtained a relatively low Cronbach alpha coefficient (0.420) it can be concluded that there is only good internal consistency amongst questions within factor one, the entrepreneurial motive. It can, therefore, be concluded that the two statements used to evaluate the non-entrepreneurial motive in this study, are not reliable.

The correlation matrix for the two extracted constructs indicates a correlation of 0.15. Although the correlation is relatively low, still an oblique rotation was used (Field, 2005: 636). The correlation between the two constructs, furthermore, indicates a lack of multicollinearity (Field, 2005: 174, 175).

In spite of Thompson's argument (Thompson, 2001) not to use Cohen's guidelines in an overly rigid manner to interpret the differences in means between variables, it could, however, be

concluded that the study provides no evidence of practical significant relationships between the factor, the entrepreneurial motive, and the demographical variables analysed in this study. More empirical research is needed to confirm the lack of differences and to establish norms for future interpretation.

This study holds implications for the entrepreneur, small businesses, government and educators in this field. This study has also clearly indicated that the perceptions of the participating owner managers in Emfuleni district regarding entrepreneurial myths and their motives for starting their respective businesses are in line with the opinions of scholars in the field of entrepreneurship or the findings of other research on the topic.

The transfer of research findings to ground-level, in this case prospective entrepreneurs or active entrepreneurs, is a major concern. For many South Africans venturing into entrepreneurship is an unknown path. The country does have a relatively low entrepreneurial activity, and it is, therefore, necessary to transfer this knowledge to all levels – from school to business level. The contribution of this study lies in the knowledge gained and lessons learned by conducting the research with successful small business owner-managers.

A positive outcome of this research could be that entrepreneurs should modify their perceptions in the light of new information or experience on the challenges facing small business owners. This could limit unpleasant surprises after venturing into entrepreneurship. It is, however, difficult to conclude with any degree of certainty that these same perceptions indicated by the participating owner-managers are those that were held before starting the venture. A comparative study on this topic is thus needed to gain a better insight into the perceptions of owner-managers before and after starting their businesses.

8

Recommendations

The desire to develop one's own business is widespread (Pinfold, 2001: 279). Starting your own business is viewed by many as a dream

come true. Venturing into entrepreneurship, however, could be very risky, and the prospective entrepreneur should take note of what it takes to be an entrepreneur. But as mentioned by Shane *et al.* (2003: 257) one cannot win a game that one does not play. Entrepreneurs should be encouraged to start leaning to play the entrepreneurial game. Yes, the learning curve could be very steep, but this, in the opinion of the authors is the only way to be a successful entrepreneur. Let us start playing the game in South Africa. It is, therefore, important to transfer the findings of this research to prospective and active entrepreneurs.

8.1 Recommendations concerning small business owner-managers

Prospective and active small business owner-managers should take note of the findings to gain a better understanding of the realities of venturing into entrepreneurship to reduce the risk of business failure. With regard to the findings of this research, the owner-managers who participated in this study, perceived the following myths as realities or risks in their experience, i.e.

- Entrepreneurs work longer hours and harder than managers in large companies;
- Money is the most important start-up ingredient;
- Entrepreneurs experience a great deal of stress and to the detriment of their health; and
- Starting a business is risky and often ends in failure.

South African entrepreneurs should not be over optimistic. Over-optimism or over-confidence, as highlighted by Koellinger *et al.* (2006: 502-527); Forbes (2005: 623) and Pinfold (2001: 279) could lead to the downfall of the entrepreneur. Entrepreneurs should, therefore, not underestimate the risks or overestimate the rewards of entrepreneurship. Prospective and active entrepreneurs should, therefore, take note of the above-mentioned realities.

Small business owner-managers should, furthermore, empower themselves with information and should be receptive and eager to learn.

8.2 Recommendations concerning government support

Transferring the findings of this research is a major challenge in the South African business environment. It is of utmost importance to better prepare prospective entrepreneurs for the challenges of venturing on their own. This can be achieved by preparing special programmes for entrepreneurship and small business development, namely:

- **Educational:** Offer seminars, workshops, and lectures to transfer the realities of entrepreneurship to prospective entrepreneurs as well as active entrepreneurs.
- **Operational:** Supply small businesses with information about the management of the entrepreneurial realities through various vehicles such as business seminars, the media, the Internet and local small business service centres. Mentorship programmes can also play an important role to better equip entrepreneurs for the harsh realities of entrepreneurship.
- **Promotional:** Aggressively promote entrepreneurship at all levels in the education system (i.e. at schools, colleges and universities); in the media and entrepreneurship competitions.

8.3 Recommendations concerning entrepreneurship and business educators

O'Dwyer and Ryan (2000: 345-353) presented detailed guidelines for management development training for business owner-managers. Entrepreneurship and business educators should design special courses in their curricula that would expose students to entrepreneurship and small business realities. Academic training can consist of factual (lectures, books and briefings), analytical (training and case studies), and experiential (small business role plays, field trips, simulation exercises) methods. Vocational training should also be offered to managers of small businesses, focusing on the mechanics of the business process, like administration techniques. Most importantly, educators should cultivate an aggressive, proactive, and

determined spirit among current and potential small business owners.

In conclusion, prospective entrepreneurs should also be educated that new businesses can stay on track in turbulent times if they use proven management tools and concepts that are best suited for their type of business.

9

Limitations and recommendations for future research

The study attempted to make a contribution to the body of knowledge of the perceptions of small business owner-managers concerning entrepreneurial myths and motives for starting a small business and can be regarded as a step towards enhancing our understanding of these topics in the South African small business environment.

Entrepreneurship and business researchers should capitalise on the findings of this study by means of the following research actions:

- Identify the role of individual background factors – managerial, organisational, and environmental – on entrepreneurial motives, as well as their interactive effects.
- Conduct multi-cultural studies that would capture the variations in the entrepreneurial motives due to racial differences.
- Conduct a longitudinal study that evaluates the effect of the economic climate on the development of entrepreneurship and the small business sector.
- Conduct a longitudinal study to compare the perceptions of entrepreneurs before starting a business and after a few years of operating the business.

Although the businesses that participated in the study were randomly selected based on the Emfuleni register, due to lack of details and many mistakes in the register, it was impossible to establish the total population of all the small businesses in the district. The businesses that participated in the study can, therefore, not be considered representative of all the small businesses in the Emfuleni district, and furthermore, in South Africa as a whole.

Utmost care should, therefore, be exercised in the interpretation and utilisation of the results and the findings of this study cannot be generalised.

In this study the exploratory factor analysis of the measuring questionnaire to assess the entrepreneurial motives of owner-managers of small businesses provides some evidence of construct validity, but further research is needed before the questionnaire can be utilised to assess entrepreneurial motives in small businesses. It is recommended that more advanced statistical procedures for scale validation, like structural equation modelling, should be utilised in further development of the questionnaire.

A limitation of this research regarding the motives of small business owner-managers for starting a small business is that it only focuses on the pull factors for entrepreneurship. The push factors for entrepreneurship, such as retrenchment, early retirement, more income required for necessities, or for survival, were not tested. Although it makes sense that this study only focused on the pull factors, it is the opinion of the authors that the theoretical base of the entrepreneurial motives was flawed. The suggestion is, therefore, that more in-depth research in other parts in South Africa on this important topic based on a sound theoretical model to identify all the relevant items to measure the entrepreneurial motives, should be conducted to provide further insight into this topic.

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