

## Exploring black owned small businesses in the Matlosana Municipality

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# ABSTRACT

Black entrepreneurship and SMME's are very vital in the contribution of the country's economy, and yet today there is still little research conducted on this concept of black entrepreneurship.

Entrepreneurship and SMME's are playing an important role to combat unemployment and this should not be underestimated, especially in a country such as South Africa where the unemployment rate is very high. According to Statistics South Africa, using the restricted definition of unemployment, the country recorded an unemployment rate of 27.7% during the third quarter of 2017 and it slightly decreased to 26.7% in the first quarter of 2018.

Black entrepreneurs and SMME's can significantly contribute to the economic development of South Africa.

The objective of this study is to explore black owned small businesses in the Matlosana Municipality with the aims of identifying the challenges faced by the black entrepreneur during the starting phase of the business and during the management of the business and to identify the specific training needs required.

This qualitative study interviewed a total number of 6 small black business owners around the Matlosana Municipality previously known as the City Council of Klerksdorp.

Various future research opportunities were also suggested, such the effectiveness of government initiatives to support black owned small business, the development of an entrepreneurial spirit amongst the black population and the difficulties experienced by black entrepreneurs in obtaining training and assistance from Seda.

The participating small black business owners identified the following training and support needs: financial skills and support, strategies on how to networking with other business owners, presentation skills and marketing skills and also support and training on how to deal and handle regulatory and compliance issues.

The most important recommendation of this study is that there should be a forum established in the Matlosana region with the main focus on small black business owners, they can use this forum as a platform for various objectives. Black entrepreneurs should develop their own network skills and also develop their own business networks within the

internal and external business environment in and outside the borders of the Matlosana region.

**Key words:** Entrepreneurship, Matlosana, small black business owners, SMMEs, Black entrepreneurship.

## ACKNOWLEDGEMENT

*This piece of academic work is devoted to my little niece Matlhogonolo Moabi.*

When this journey started two years ago, I had no idea it would be such a learning and growing experience for me as an individual.

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# CHAPTER 1

## NATURE AND SCOPE OF THE STUDY

### 1.1 INTRODUCTION

Based on a report by the Banking Association South Africa (BASA), in developing countries such as South Africa (SA), small, micro and medium enterprises are regarded as important tools for future growth and development of the economy ([www.banking.org.za](http://www.banking.org.za)).

The South African government has identified and recognised that small, medium and micro-sized enterprises (SMMEs) have the potential to play active roles to improve job creation opportunities, reduce poverty and create a more equitable distribution of wealth (Small Enterprise Finance Agency, 2016:2).

According to Cass (2012:82), SMMEs are divided into five categories, namely, survivalist enterprise, micro enterprises, very small enterprises, small enterprises and medium enterprises. This sector plays an important and vital role in the recognition of social and economic development and also in encouraging the improvement of the standard of living in South Africa (Nxaba, 2014).

Various different governmental programmes, such as the Reconstruction and Development Programme (RDP), were introduced by the democratic government to try and address and solve the imbalances of the past in the economy, through various governmental projects. Small, medium and micro enterprises (SMMEs) are seen as important tools or vehicles for economic development and growth in the democratic South Africa (White Paper SA, 1995:7). According to Lewis (2001:3), the Department of Trade and Industry was given the responsibility to drive these initiatives of small business before the creation of the portfolio of small business.

This introductory chapter begins with the definitions of the core concepts, the background of the problem to be investigated and an explanation of why this study is conducted. This will then be followed by the objectives, scope of the study and the research methodology. The final part of chapter one will outline the entire layout of the study and its limitations.

## 1.2 DEFINITION OF THE CORE CONCEPTS

The **entrepreneurs**, Nieman and Nieuwenhuizen (2009:9) define an entrepreneur as a person who sees an opportunity in the market, gathers resources, and creates and grows a business venture to meet customer needs. Nieman and Nieuwenhuizen's definition of an entrepreneur is adopted for this study.

The individual or individuals who have started and are operating small, medium, macro-enterprises or ventures are (in this study) considered to be entrepreneurs. There is no distinction made between a small business owner and an entrepreneur.

Peters and Shepherd (2010:6) outline **entrepreneurship** as a process of: creating something new and with value through devoting necessary time and effort; accepting the accompanying financial, psychological and social risks and uncertainties; and, receiving the resulting rewards of monetary and personal satisfaction.

**Small, Medium and Micro Enterprises:** According to Steyn (2007:29-30), small, medium and micro sized enterprises can be defined as "organisations that operate from formal or informal business premises and normally employ fewer than fifty staff members".

The South African National Small Business Act no 102 of 1996 defines small business as medium, small, very small and micro enterprises, based on certain characteristics. The National Small Business Amendment Act of 2004 further classifies businesses according to five categories established by the original act, namely, standard industrial sector and subsector classification, size of class, equivalent of paid employees, turnover and asset value excluding fixed property.

According to the Broad-Based Black Economic Empowerment (B-BBEE) Act, No. 53 of 2003, the definition of "**black people**" now accords with the definition as contained in the Revised BEE Codes and continues to refer to the generic term which means Africans, Coloureds and Indians, provided they are citizens of the Republic of South Africa by birth or descent, or people who became citizens of the Republic of South Africa by naturalization before 27 April 1994 or on or after 27 April 1994, and who would have been entitled to acquire citizenship by naturalization prior to that date.

### **1.3 PROBLEM STATEMENT**

Over the past few years black entrepreneurs and entrepreneurship gained importance and exposure. Comparing to other ethnic groups, black people and the black population of South Africa have a small number of participants' rate in entrepreneurial activities.

The business world of South Africa, as well as entrepreneurship, is currently dominated by whites. Black individuals, through the different governmental programmes, are now empowered to become entrepreneurs and to own small businesses.

The black population is the largest population group in South Africa, but a relatively low percentage of black people is actively taking part in the main stream of economic activities and the owning of businesses.

Limited research information is available in South Africa regarding the concept of black entrepreneurs and entrepreneurship. Therefore, it is necessary and important to first obtain and acquire information regarding black entrepreneurs before determining how black entrepreneurship could be supported and stimulated.

Despite the research that was done in the past regarding black owned small businesses in South Africa, further research regarding this concept, the profiles and challenges, still needs to be explored, and detailed research needs to be done.

In the new democratic South Africa, black South Africans, particularly the youth, are currently cultivating entrepreneurship and starting they own businesses with the aim of addressing the issue of unemployment and economic redistribution (Parker 2005).

In South Africa unemployment is a concern and it is a reality and in the past few years, we continued to witness a rise in the rate of unemployment (Taborda, 2017:1). According to Statistics South Africa, using the restricted definition of unemployment, the country recorded an unemployment rate of 27.7% during the third quarter of 2017, and it slightly decreased to 26.7% in the first quarter of 2018 (Statistics South Africa, 2018).

Figure 1.1 shows the flow and trends of the unemployment rate since July 2015 until January 2018.

**Figure 1.1: Unemployment rate in South Africa**



**Source:** www.statssa.gov.za. South Africa unemployment rate.

In an attempt to stimulate and produce more successful black business entrepreneurs, it is important to understand and explain the concept, black entrepreneurship. This is precisely the main research question of this paper.

Minimal research has been conducted regarding the concept of black owned small businesses and black entrepreneurship within South Africa and specifically within the Matlosana Municipality.

The primary research objective for this study is to explore black owned small businesses in the Matlosana Municipality with the aim of identifying the challenges faced by black entrepreneurs during the starting phase of the business and during the management of the business, and to identify the required specific training needs.

Therefore, this study hopes to provide a better insight into the concept of *black entrepreneurship*.

It is envisaged that the information gathered can be utilised by the different relevant stakeholders or authorities to develop strategies and programmes related to the promotion of black entrepreneurship and addressing the challenges faced by them.

#### **1.4 RESEARCH OBJECTIVES**

There are two types of objectives for this particular study, namely primary and secondary objectives.

### **1.4.1 Primary research objective**

The primary research objective for this study is to explore black owned small businesses in the Matlosana Municipality with the aim of identifying the challenges faced by the black entrepreneur during the starting phase of the business and during the management of the business and, to identify the required specific training needs.

### **1.4.2 Secondary research objective**

In order to address the primary research objective as mentioned above, the following secondary research objectives will be pursued to address the main objective.

By means of a literature study on previous research, the following secondary objectives were identified and will be explored:

- To define entrepreneurship
- To conducting a literature review regarding small, medium and micro-sized enterprises
- To explore the challenges faced by SMMEs and black entrepreneurs.

By means of an empirical study, the following secondary objectives will be investigated:

- To explore and identify the challenges experienced during the start-up phase of the business.
- To explore and identify the skills and attributes that an entrepreneur should possess to be successful.
- To identify the support and training needs required in managing the business.
- To identify the challenges experienced during management of the business.

The following secondary objectives will serve as the conclusion and recommendation objectives:

- To suggest practical recommendations on how to address the identified needs or support for black entrepreneurs and how to minimize the challenges faced by them.



- To draw conclusions and offer recommendations based on the findings of this study.

## **1.5 SCOPE OF THE STUDY**

The scope of this study will identify and outline the field of the study, the sector to be investigated and the geographical demarcation.

### **1.5.1 Field of the study**

The field of the study can be classified within the subject discipline of entrepreneurship with specific reference to black owned small businesses.

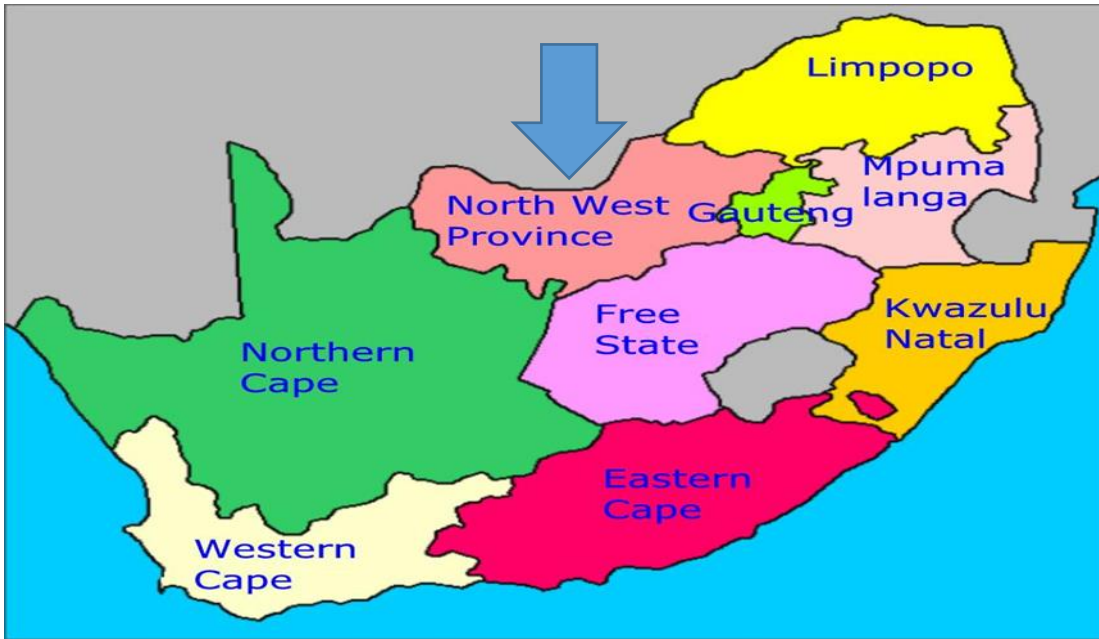
### **1.5.2 Sector to be investigated**

The environment to be investigated is small businesses owned by black entrepreneurs in the City of Matlosana Municipality.

### **1.5.3 Geographical demarcation**

This particular study is based in the City of Matlosana Local Municipality (previously known as the City Council of Klerksdorp) and today refers to itself as the “City of People on the Move”. The municipality is located within the Dr Kenneth Kaunda District in the North West Province. Figure 1.2 is a map of South Africa illustrating all the provinces and indicating where the North West Province is situated.

**Figure 1.2: South Africa's nine provinces**



**Source:** [www.sa-venues.com](http://www.sa-venues.com). South Africa's nine provinces

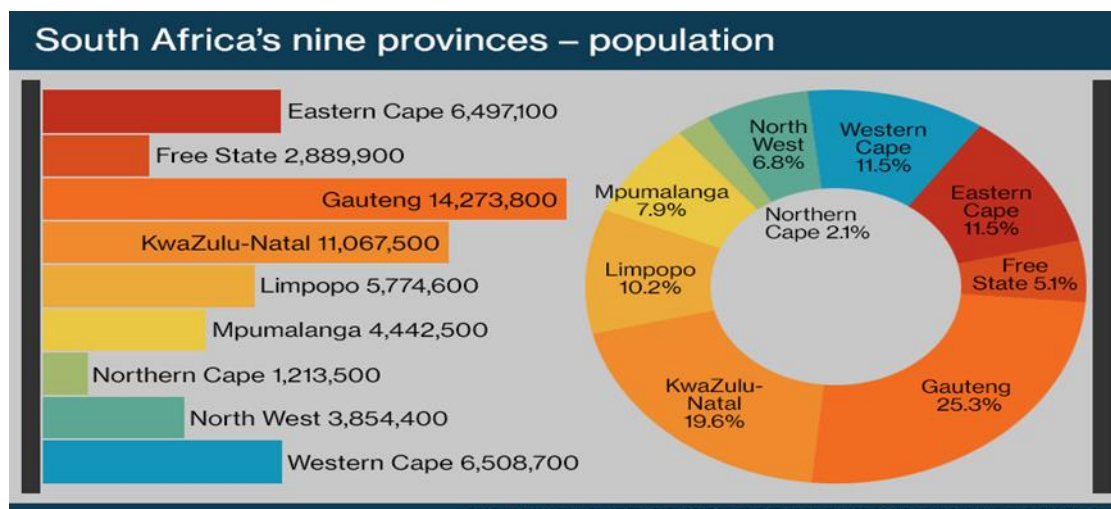
The municipality consists of the following cities / towns: Hartbeesfontein, Klerksdorp (Matlosana), Orkney and Stilfontein. Figure 1.3 is a map of Matlosana indicating the cities and in figure 1.4 the population of the nine provinces of South Africa is shown and indicated.

**Figure 1.3: Matlosana Municipality map**



**Source:** [www.municipalities.co.za](http://www.municipalities.co.za)

**Figure 1.4: Population of South Africa's nine provinces**



**Source:** www.sa-venues.com. South Africa's nine provinces – population

According to the 2016/2017 annual report of the City of Matlosana municipality, the City of Matlosana has a total population of 417 282 people, of whom 383 899 (92%) are urbanized people and 33 383 (8%) are rural (mining villages forming part of the urban areas). The largest population concentrations are based in Jouberton (31%), Kanana, Khuma and Tigane, which represent 67% of the total urban population of the city of Matlosana.

## 1.6 RESEARCH METHODOLOGY

According to Chenail (2011:11), business research guides business decisions by collecting, recording and analysing data in a systematically manner.

The research of the study will consist of two separated phases, namely the literature review study and the empirical study.

### 1.6.1 Literature review

According to Struwig and Stead (2001:30), a literature study should consist of a process that involves identifying, tracing and analysing documents that contain relevant information related to the research topic. Furthermore, Kumar (2011:46) indicated that a literature review is an integral part of the research process and makes a valuable contribution to almost every operational step.

In order to achieve the research objective and to conduct the literature review, various different publications will be sourced and consulted. Conducting proper research requires collecting and studying many different publications that relate to the specific field of study. These publications include academic journals, articles, publications from government documents, text books and other reliable sources, as well as reports on previous research done and related to this study.

The following topics will be discussed in the literature review in chapter 2:

- Entrepreneurship in general.
- The role of Small, Medium and Micro Enterprises (SMMEs).
- The reasons why SMMEs fails.
- Challenges black entrepreneurs are facing.

### **1.6.2 Empirical study**

The empirical study section for this study consists of a research design, study population and sampling technique, data collection method and analysis of data.

#### **1.6.2.1 Research design**

According to Greener (2008:38), a research design can be defined as a grand plan of approach to a research topic. Furthermore, a research design can also be defined as the conceptual structure within which research is conducted and it includes the blueprint for data collection, measurement and analysis (Kothari, 2004:47).

The overall purpose of this research design is to assist the researcher to control, minimize and to eliminate the eventual influences on data collection and the quality of data.

A qualitative research design will be followed to accomplish the objectives of this particular study. According to Creswell (2014:33), a qualitative research can be classified as primarily exploratory research. This particular method is used to gain an understanding of underlying reasons, opinions, and motivations. The reason for choosing this approach is based on the fact that due to the nature of the findings of data it will be difficult for the research to quantify the data obtained from the respondents.

In this study, a descriptive research method using a cross-sectional study will be followed and applied. The cross sectional study is an appropriate technique due to time constraints, and to the fact that this study will be a once off research study and it will not be researched on a continuous basis.

### **1.6.2.2 Study population and sampling**

Pandey and Pandey (2015:40) define a study population as the entire mass of observations, which is the parent group from which a sample is to be formed. Therefore, an accessible population in this study will consist of small businesses owned by entrepreneurs who operate within the Matlosana Municipality. The study population will be represented by black entrepreneurs, aged between 18 and 65 years, and operating within the Matlosana Municipality.

According to Pandey and Pandey (2015:41), sampling can be defined as a process of selecting a given number of subjects from a defined population as representative of that population. The most suitable sampling technique for this study will be non-probability in nature and the snowball technique will be applied. According to Battaglia (2011:523), a non-probability sampling method does not attempt to select a random sample from the population of interests, rather, subjective methods are used to decide which element is included in the sample.

The Snowball sampling technique is a suitable technique to be applied for this study: the researcher will make contact with the identified respondents and will ask these respondents to introduce other respondents within their networks around the Municipality. This process is regarded as a chain referral. According to Flint and Atkinson (2001:1), a snowball sampling technique is a method to find research participants, whereby one participant provides the names of the second participants and the process continues.

The researcher then compiles a database of the referrals. The researcher will then contact the prospected participants on the list and explain the purpose of the research and assess their willingness to participate in the study. A list of at least 20 entrepreneurs in the Matlosana Municipality will be compiled.

### **1.6.2.3 Data collection**

For the purpose of this research, the primary data will be collected by means of a semi-structured face to face interview as an instrument. The researcher started firstly with conducting preliminary interviews to test the interview guide and to examine whether the questions relate to the research objectives. The researcher pre-tested the interview questions with two black small business owners who provided meaningful feedback and which was used to improve the final version of the interview guide.

As the interviews progressed and new insights were gained, two new questions were added to the schedule. The duration of the interviews varied between 30 and 35 minutes. The researcher proceeded to record the interviews using a digital voice recorder to assist with transcription. The collection of the data took around three weeks and was dependent on the availability of the respondents.

Each black small business owner was given the interview guide, accompanied by the informed consent (Appendix A), which clearly stated the purpose of the interview, issues relating to anonymity and confidentiality, business and demographic information, and the questions.

The interview guide was made available to the respondents prior to the date set for the interview to allow them enough time to view the questions and to prepare themselves. Before conducting the interview, the researcher contacted the respondents telephonically in order to remind them of the interview and to confirm their availability.

### **1.6.2.4 Data analyses**

Barbie (2010:422) indicated that qualitative data analysis is the process in which the researcher moves from the raw data that has been collected as part of the research study and use it to provide explanations, to understand and interpret the phenomena, people and situations which are studied. Qualitative data analysis is non-statistical in nature.

Qualitative Data Analysis (QDA) is the range of processes and procedures whereby the researcher utilises the qualitative data that have been collected to construct an

explanation, understanding or interpretation of the people and situations that were investigated.

Thematic analysis of data is one that looks across all the data to identify the common issues that recur, and from this identify the main themes that may summarise the views which were collected. This is the most common method for descriptive qualitative projects. This following process will be applied to conduct this thematic analysis:

- Transcribing of the interviews (audio recordings) according to the questions as asked by the researcher.
- Read and annotate transcripts: Conduct a preliminary observation and translate the data into a logical format.
- Identify themes: Observe the data in detail to start identifying themes.
- Developing a coding scheme: These initial themes can now be gathered together to develop a coding scheme. This is a list of all the themes, and the 'codes' that will be applied to the data.
- Coding the data: The researcher will apply these codes to the set of data.

The final step in the analysing process is to outline the discussions and the interpretations that were derived from the findings.

The transcriptions of the interviews will be checked for accuracy and will be coded by the researcher. An inductive thematic analysis approach will be applied to the analyses of the data. Themes will be correlated with the existing literature. Data saturation will be reached once the information is starting to repeat itself, if there is no new information emerging from the following interview.

Reliability is tested together with validity. According to Patton (2001), he indicated that the term reliability and validity are two concepts of which any qualitative researcher should be concerned about while conducting a study, analysing the results and judging the quality of the study. Since a qualitative research study is concerned with obtaining reach first hand data, trustworthiness is very crucial during this process. In order to ensure reliability in a qualitative research study, examination of trustworthiness is critically important.

## **1.7 LIMITATION OF THE STUDY**

Based on the nature and objective of the study the researcher anticipates that the following limitations can be projected for this particular research study:

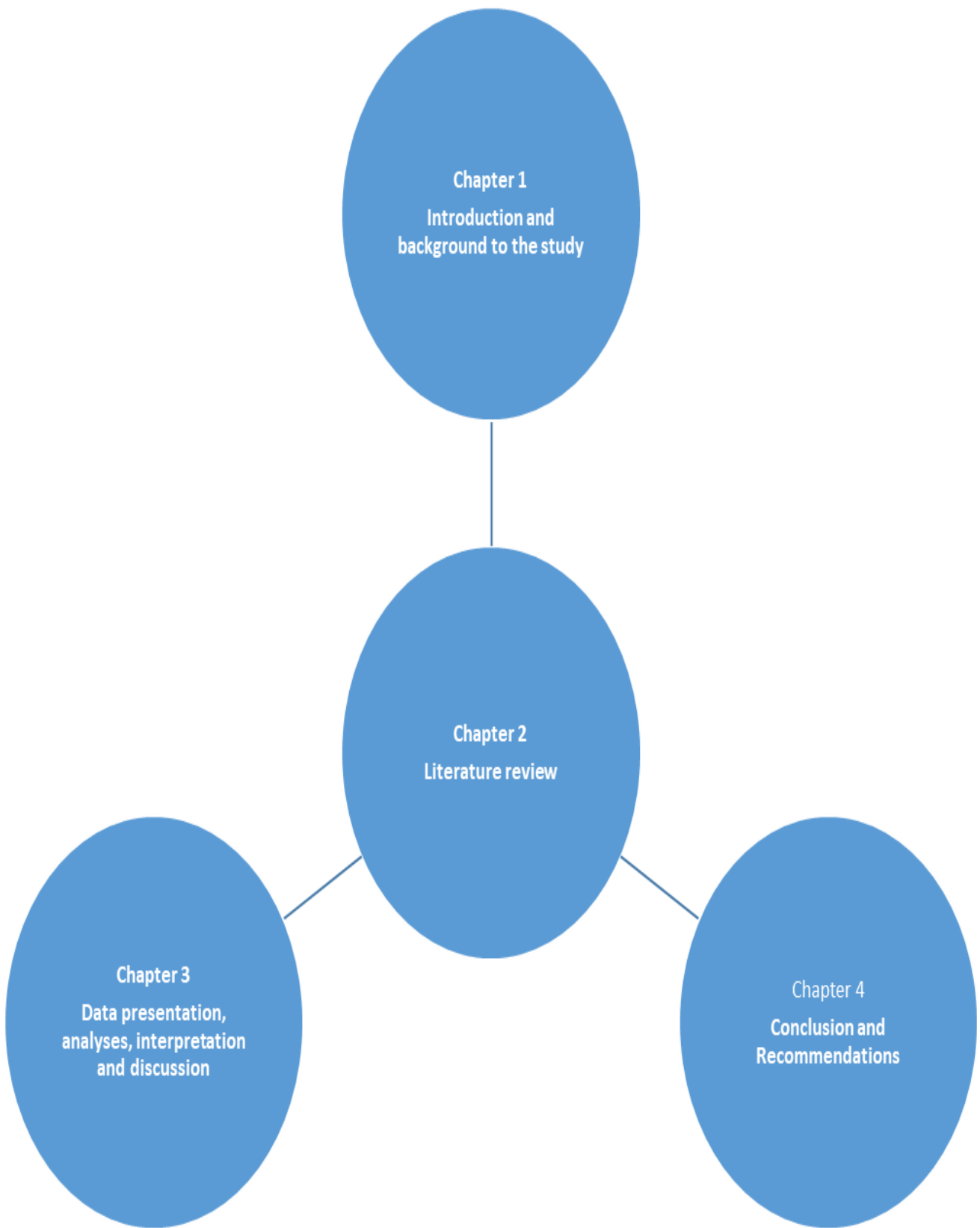
- The study is limited only to small black owned businesses located within the Matlosana Municipality and therefore this study cannot be generalised to the entire group of South African small black owned businesses.
- Another factor that can be identified as a limitation is the fact that this study will only investigate small businesses owned by black entrepreneurs and not the entire small business sector.
- Some respondents might not answer the questions honestly.
- The limited time in which to conduct the study might have excluded some other entrepreneurs from the study.
- Limited information is available on black entrepreneurship.

## **1.8 LAYOUT OF THE STUDY**

The final written report has a set structure consisting of an introduction, the literature review and theory, the research methods, the results, and a discussion. As for the construction of the mentioned study, the researcher is anticipating to follow the following structure:



**Figure 1.5: Study layout process flow**



**Source:** Own composition

## **Chapter 1: Introduction and background to the study**

Chapter 1 of this particular study will provide an introduction to the research, the problem statement, primary and secondary objectives of the study, the research design and methodology.

## **Chapter 2: Literature review**

Chapter 2 of this particular study will outline the literature review. The purpose of this literature review is to define the theoretical framework regarding the title and to assess the role of black entrepreneurship.

For the purpose of this study, the literature review focuses on an overview of black entrepreneurship, as well as an overview regarding SMME's.

## **Chapter 3: Data presentation, analyses, interpretation and discussion**

Chapter 3 of this particular study will outline the presentation of the data and the results of the study will also be presented and discussed within this chapter.

## **Chapter 4: Conclusion and Recommendations**

The final chapter of this study draws conclusions from the findings based on the data analyses and practical recommendations will be provided based on the achievement of the objectives. This section will also provide suggestions for further studies in this field.

### **1.9 CONCLUSION**

This chapter lays the foundation for the findings, analyses and discussion of this study in the previous chapters. This chapter provides a broad overview of this study and the rationale behind and reasons for selecting this study. This chapter outlines the coverage of the literature review and the methodology that is going to be followed.

Small, medium and micro enterprises (SMMEs) are seen as important tools or vehicles for economic growth and development in the democratic South Africa. According to Lewis

(2001:3), the Department of Trade and Industry was given the responsibility to drive these initiatives of small businesses before the creation of the portfolio of small business.

The background information about the research topic is presented in a manner that is leading to the identification of problem statement. Furthermore, the research objectives and the contributions to the study are presented in this chapter.

Finally, the layout of the study report is shared in this chapter and in the following chapter the researcher will present an overview of the literature.

# CHAPTER 2

## LITERATURE REVIEW

### 2.1 INTRODUCTION

The previous chapter provided an outline in the form of an introductory chapter in general: it served as a research proposal. It mainly focused on the development of the problem statement, the study objective and the methodology to be followed during the study. The prime objective of this chapter is to present the literature review and the chapter will conclude with a summary.

A focus on Small, Micro and Medium Enterprises (SMMEs) is sound. SMMEs play a critically important role in economies across the world. A number of studies demonstrate above all that they are the key propellers of job creation (SBP Alert, 2013).

According to Okpara (2011:157), small businesses play a significant role in improving economic conditions and poverty issues in Africa since they have generally been regarded as the driving force of economic growth and poverty reduction. In a study that was conducted by Herrington and Kew (2015) they indicated that a country such as South Africa, entrepreneurs are required and needed to keep the country moving forward by adding value to the economy and stimulating the economy of the country.

According to the National Credit Regulator (NCR) (2011:12) the value of the small, medium and micro-sized enterprises is recognized in economies world-wide, irrespective of the economy's developmental stage. In an article ([www.entrepreneur.com](http://www.entrepreneur.com)) written by Spring (2014), she indicated that small businesses, especially in South Africa, are the backbone of country's economy. SMMEs have been identified as a key driver in economic growth, job creation and poverty alleviation (Chimucheka, 2013:785). Small businesses are creating jobs, they come up with new ways of doing old things, and they are helping to keep money in the local community. Without small businesses and entrepreneurial initiatives, South Africa would have been in a bigger economic muddle.

All over in the world, the role that is played by small businesses is being increasingly recognized and in South Africa, the government has recognized that small, medium and micro-sized enterprises (SMMEs) has an active role in improving job creation

opportunities, reducing poverty and creating a more equitable distribution of wealth (Fatoki, 2014:270). Various researchers, especially in the field of entrepreneurship, agree that the SMME sector is crucial and important for economic growth, employment creation and poverty reduction, and is also assisting in reducing levels of inequality in South Africa.

This chapter will be followed by an overview of SMMEs in South Africa, as well as an overview of entrepreneurship.

This chapter consists mainly of an analyses of secondary sources such as books, journal articles, unpublished theses and dissertations, papers and internet sources, i.e. websites. The literature review assisted in acquiring a thorough understanding of the problem that was being investigated, it helped in preparing a suitable empirical research methodology, and formed the basis of the questionnaire.

## **2.2 OVERVIEW OF SMMEs IN SOUTH AFRICA**

The purpose of this section is to outline various components and concepts that are related to the South African SMME sector.

### **2.2.1 Defining SMME**

Endeavouring to define the concept, SMME, is complicated. After consulting various sources it is therefore concluded that there is currently no single definition for this concept. The definition of this concept vary, depending on the different industries and different authors.

A small, medium or micro sized enterprise can be defined as an organization that operates from a formal or informal business premises (Steyn, 2007:29-30).

According to the South African National Small Business Act 102 of 1996, the official definition of a small business is, "*a separate and distinct business entity, including co-operative 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 sub sector of the economy mentioned in column I of the schedule*" (South Africa, 1996:2).

The South African governmental white paper (2003:7-8) classifies enterprises based on size and its nature.

The white paper classifies the different enterprises into the following categories:

- **Micro-enterprises** – very small businesses, often involving only the owner, some family member(s) and, at most, one or two paid employees.
- **Small enterprises** – these constitute the bulk of the established businesses, employing between 5 and 50 people. The enterprises will usually be owner-managed or directly controlled by owner-communities.
- **Medium enterprises** – these employ between 51 and 200 employees and achieve a turnover of 5 million rand per annum.

For the purpose of this study the focus will be on small and micro sized black owned businesses around Matlosana Municipality, and employing fewer than 50 employees, as defined by the South African National Act above.

## **2.2.2 The current South African SMME sector**

The government, as the highest decision making body, has implemented legislation to govern the SMME sector and has also established several institutions mainly mandated to deliver a variety of key support services which include both financial and non-financial support services. Deriving from the 2017 /2018 quarterly report of SMMEs by SEDA, the number of SMMEs in South Africa (SA) decreased by 3.9% year-on-year, from 2.34 million in 2016 Q3, to 2.25 million in 2017 Q3 (SEDA, 2018:1).

A breakdown of the number of SMMEs in the country from 2016-2017 is provided in the table below.

**Table 2.1: Number of SMMEs from 2016-2017**

KEY INDICATORS	2016 Q3	2017 Q2	2017 Q3	q-o-q change	y-o-y change
Number of SMMEs	2 343 058	2 480 141	2 251 286	-9.2%	-3.9%
Number of formal SMMEs	657 707	668 729	631 810	-5.5%	-3.9%
Number of informal SMMEs	1 593 816	1 719 330	1 552 889	-9.7%	-2.6%

**Source:** SEDA 2018 Quarterly update

### 2.2.3 Legislation governing the SMMEs sectors

In March 1995, government policy on South African SMME development was initially documented in the White Paper for SMME development. In the new democratic South Africa almost everything is governed by some legislature, even businesses. According to Njiro and Compagoni (2010:152), the following legislation is governing the SMME sector in South Africa:

- National Small Business Act
- National Small Business Amendment Act 26 of 2003
- National Youth Development Agency Act 54 of 2008
- The Preferential Procurement Policy Framework Act 5 of 2008
- The Broad Based Black Economic Empowerment Act 53 of 2003

### 2.2.4 Support programmes of SMMEs

The South African government and the ministry of small businesses is consistent in its support of the importance of SMMEs and therefore it has built and established frameworks for SMMEs support and development.

According to the Dti, as per their website ([www.dti.gov.za](http://www.dti.gov.za)), the following governmental institutions were established to offer and provide support to SMMEs:

- Small Enterprise Development Agency (SEDA).
- Small Enterprise Finance Agency (SEFA).
- National Empowerment Fund (NEF).

- Industrial Development Corporation (IDC).
- National Youth Development Agency (NYDA).
- Land Bank.
- Mafisa and provincial agencies.

The **Small Enterprise Development Agency (SEDA)** is an agency of the department of Small Business Development. It was established in December 2004, through the National Small Business Amendment Act (Act 29 of 2004). It is mandated to implement government's small business strategy and design, to implement a standard and common national delivery network for small enterprise development, and to integrate government-funded small enterprise support agencies across all tiers of government.

The **Small Enterprise Finance Agency (SEFA)**, was merged with the South African Micro-Finance Apex Fund (SAMAF) and Khula Enterprise Finance Limited, to cater for small businesses requiring funding up to a limit of R3 million. SEFA offers bridging finance, revolving loans, term loans and asset finance and funds working capital needs.

The **National Youth Development Agency (NYDA)** was formed with the purpose of assisting young South Africans between the ages of 14 and 35 years to start businesses and to finance existing businesses.

The **National Empowerment Fund (NEF)** was founded with the intention of offering financial and non-financial support to black empowered businesses.

## **2.3 CHALLENGES FACED BY SMME's IN SOUTH AFRICA**

According to Stevenson (2010:287), a "challenge" relates to an event where an individual's ability is tested, and relates to a circumstance, actions or events that creates a barrier to progress.

Horn et al. (2009:90) defined a *barrier* as an obstruction that is preventing movement, drive and access.

In South Africa, where small businesses constitute more than 80% of the business sector, the failure rate is high (Bowler & Dawood 1996:2). According to a study by Peacock (2004),



the failure rate of new SMMEs is very high in South Africa. The failure rates are estimated at 70 to 80% in South Africa (Lekhanya, 2015:412).

The high failure rate negatively impacts on the ability of new SMMEs to contribute meaningfully to job creation, economic growth and more equal income distribution in South Africa.

According to a report by the Small Enterprise Development Agency (SEDA, 2012) SMMEs failing during its operation, is between 60% and 80% of the SMMEs, and this failure sometimes occurs within the first two years of its operation and existence. In context to this, Maleka and Fatoki (2016:1) stated that the high failure rate of SMMEs in South Africa is evident and that most of them rarely survive beyond three years after they have started with the operations.

The Banking Association South Africa (2012) stated the following reasons as failures of SMMEs:

- Crime and corruption.
- Appropriate technology and low production capacity (includes access to electricity).
- A lack of management skills and inadequate skilled labour.
- Finance and obtaining credit.
- Access to markets and developing relationships with customers.
- Recognition by large companies and government bureaucracy.
- Knowledge and support for the role that they play in economic development.
- Regulatory compliance.

Mudavanhu et al. (2011) point out that there are various reasons why small businesses fail and Titus (2008) points out that failure arises when a firm fail to meet its duties to the stakeholders of the company, which include suppliers, employees, owners and customers. There consist numerous reasons that contribute to the failure of SMMEs. Some of this reasons are either internal and others are either external.

The Bureau for Economic Research (BER), conducted some research in 2016 regarding the various factors that contribute to the downfall of small businesses and this research was submitted to SEDA. It is important to note that not all small businesses in South Africa are faced by the same set of challenges.

The research conducted by the Bureau for Economic Research (BER), identified the following as challenges with which SMMEs are faced:

- **Access to finance and credit**

A lack of financial resources or backlog is often the most critical challenge that some SMMEs are facing (King 2007). When it comes to acquiring finances and credit, SMMEs face a big hurdle, because in most instances the banks and other money lenders are not completely convinced to lend money for initiating businesses. This is according to the Bureau for Economic Research (2016).

A survey conducted by the World Bank Enterprise found that smaller firms are less likely to have access to capital and other financial resources and this is identified as one of the factors that constrain the ability of small businesses to grow and become more productive.

- **Poor infrastructure**

A lack of proper and quality infrastructure is also a major challenge that is experienced by SMMEs. Proper infrastructure is an essential component of any business, if not all. Poor infrastructures hinder the ability for development and the effective contribution to the community of many small businesses. In most cases, this leads to the collapse and abandoning of the business venture.

- **Low levels of research and development**

Proper and quality research and development are important in terms of ensuring that the small business transforms its ideas into a real business venture. According to Maas, De Coning and Smit (1999) innovating firms are likely to grow faster than traditional new businesses. They found South African SMMEs to be less innovative compared to those in developed countries. Research found that innovation in South Africa is suppressed by the failure of small businesses to form strong linkages with larger firms.

- **Labour laws**

South Africa's labour laws have been found to be a significant obstacle to the growth of small businesses, especially when it comes to dismissing staff when the business can no longer afford to keep them, or if they are deemed unproductive. SMMEs that are most affected by this are in the manufacturing industry, e.g. clothing and furniture production. These SMMEs are labour intensive and incur higher labour costs than their counterparts.

If policy makers are to fashion a response to unemployment, it is essential to understand what stands in the way of employment creation at present.

Suitably motivated labour is required in order to sustain growth. Mahadea (2008) found that it is difficult and expensive for SMMEs to hire skilled labour in South Africa. Labour can only be hired at a cost and within the confines of the labour regulations, such as the Employment and Minimum Wage Regulations.

A majority of African countries have to work under confusing regulations and policies that are constantly changing. Import regulations in particular are extremely strict in many areas and this makes it very difficult to engage in meaningful international trade and also raises costs. The inconsistency is also considered risky for traders and this ensues in some circumventing this option altogether.

- **An inadequately educated workforce**

The shortage of skills in South Africa has been constantly documented as one of the leading contributors to the unemployment rate of 25% (StatsSA, Quarter 2: 2015). The National Development Plan (NDP) noted that small businesses in the services sector are negatively affected by a shortage of skills. This is mostly evident in services such as accounting and sales. In 2008, the Department of Trade and Industry (the DTI) also acknowledged that the shortage of skills and limited number of entrepreneurs stifle employment growth.

- **High levels of crime**

There is no doubt that the majority of South Africans is affected by crime. Crime not only negatively affects individuals and households, but also SMMEs. In their 2015 economic survey of South Africa, the OECD found that the high crime rate was forcing SMMEs to increase security spending. This in turn increased operating costs, which affected the overall cost of doing business.

- **Lack of access to markets**

Another major challenge faced by SMMEs in the current economy, is obtaining access to financially viable markets. Having access to these markets opens more doors to funding and mentorship during the early, developmental stages of small businesses. The majority of small businesses operating in rural areas is still at a disadvantage compared to their urban counterparts due to their small size and remote location.

According to Tsoabisi (2012, 46), marketing aspects such as poor location and structures, failure to interact with prospective clients and customers and deficiency in a customer-friendly approach, also negatively affect the success and elevation of SMMEs.

- **Regulations**

In addition, the cost of regulation may impact on the growth of new SMMEs. New SMMEs have to obtain registration licenses and pay taxes (Hashi, 2001). Most new SMMEs also perceive that they do not get enough support from the government. According to Maas and Herrington (2006) most new SMMEs in South Africa are not aware of government efforts to assist them, such as Khula Finance Enterprise (Khula), and the Small Business Development Agency (SEDA).

The other challenges that might be faced by the SMMEs, as identified by (Parker & Byrom, 2000) are:

- Target of high crime rate.
- Inadequate business/management training.
- Progressive degradation of ageing or inadequate urban infrastructure.

- Individualism and lack of a single lobbying voice for influencing policy at local, national and European level.
- Distrust and cynicism towards local authorities.
- Rapidly changing consumer behaviour.

According to a study by Bankseta (2011), SMMEs in South Africa face a variety of challenges such as:

- Finance and securing credit.
- Appalling skills shortages in SA, which makes it impossible to retain and attract skilled talent.
- Compliance with all the requirements relating to the legislation of the country.
- Lack of managerial skills.
- Access to markets.
- Suitable technology and low production capacity.

There are a number of general barriers to entry and challenges that SMMEs face in South Africa and these challenges and barriers can also be regarded as the reasons for failure of the small business because once the business is established and one of the above challenges occurs, the business can easily close down. All these factors are critical for the viability and sustainability of business enterprises. The reasons for the high failure rates of SMMEs is mainly due to a variety of factors. According to Bruwer and Van den Berg (2017:7-8), they indicated that the harsh and bad economic environment of South Africa resulted in the lack of sustainability of SMMEs.

According to Phaladi and Thwala (2008), they concluded that due to a lack of financial and effective management, resources, entrepreneurial skills, contractual and managerial skills, technical skills, proper training and a lack of credit from suppliers and banks, are serious reasons that lead to the failure of SMMEs.

## **2.4 OVERVIEW OF ENTREPRENEURSHIP**

The purpose of this section is to provide an overview of the concepts *entrepreneur* and *entrepreneurship*. The overview will include components such as definitions, and the importance of entrepreneurship in the economy, as well as its advantages and disadvantages.

### **2.4.1 Definitions**

Within this section clear definitions of the two similar concepts that go hand in hand will be provided. The two identified similar concepts are entrepreneur and entrepreneurship.

Wilson and Mador (2010:30) describe an entrepreneur as a person who organises, manages, and assumes the risks of starting and operating an enterprise. Entrepreneurs provide new goods or services that will meet people's needs and wants, or solve their problems. Many entrepreneurs start businesses to make a profit. Others are motivated by different goals, such as supporting the people in their communities. This form of entrepreneurship might involve starting a charitable organisation like a food bank to solve the problem of hunger.

Based on the description of Drucker (2002:54) an entrepreneur can be described as someone who actually searches for a change and responds to it by means of exploiting the change as an opportunity. An entrepreneur can also be seen as a person that acts as an industrialist and undertakes the risk associated with forming a business for commercial use. An entrepreneur has an unusual foresight to identify the potential demand for the goods and services.

The entrepreneur is the individual who continues to have a larger vision for current circumstances and sees renewed business opportunities that require sufficient preparation and planning in a world full of uncertainty (Agbenyegah, 2013).

The following table provides different definitions of an entrepreneur as per the different authors.

**Table 2.2: Different definitions regarding an entrepreneur as defined by different authors**

Year of origin	Name of Author	Definition
1934	Schumpeter	An entrepreneur is an innovator that uses a process of shattering the status quo of the existing product and services, to sell up new products, and new services.
1961	David McClelland	An entrepreneur is a person with a high need for achievement. He is energetic and he is a moderate risk taker.
1964	Peter Drucker	An entrepreneur is an individual that searches for change and responds to it and exploits the opportunity. Innovation is part of the specific tools of an entrepreneur. That is why an effective entrepreneur converts a source into a resource.

**Source:** Adapted from Schurenberg (2012: 51-53)

An adopted definition that is going to be used in this particular study will depend on the intentions of the researcher and what the researcher wants to accomplish. For the purpose of this study the following definition that is provided by Pickle and Abrahamson (1990: 59), will be adopted:

"An entrepreneur is one who organizes and manages a business undertaking, assuming the risk, for the sake of profit. The entrepreneur evaluates perceived opportunities and strives to make the decisions that will enable the business to realise sustained growth. Timmons and Spinelli (2009:101) describe entrepreneurship as a way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach and leadership-balanced for the purpose of value creation and capture.

According to Swanepoel *et al.* (2010: 66), entrepreneurship is a dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Also, in the same essence,

Babson College defines entrepreneurship as the ability to organize resources and provide the leadership to act on opportunities to create social and economic value.

Peters and Shepherd (2010:6) outline entrepreneurship as the process of creating something new with value by devoting the necessary time and effort to it; assuming the accompanying financial, psychological and social risks and uncertainties; and receiving the resulting rewards of monetary and personal satisfaction.

The term entrepreneurship is a continuous process that needs to be followed by an entrepreneur to plan and launch the new ventures more efficiently. Entrepreneurship is the establishment of any new business or the development of a product, process or service, regardless of the founder's motivation, industry, venture type or the age of the establishment.

The researchers have tried to summarize the different definitions regarding entrepreneur and entrepreneurs needs, but this remains a complicated task since there is a variety of different definitions. After consulting different literatures regarding entrepreneurs, it clearly shows that there is still no standard universal accepted definition of an entrepreneur.

#### **2.4.2 The importance of entrepreneurship in general**

Based on a report that was issued by the Department of Trade and Industry (2005), the Minister of Trade and industry said that "the promotion of entrepreneurship and small business remains an important priority of the South African government. Our commitment is to ensure that small businesses progressively increase their contribution towards growth and performance of the South African economy in critical areas such as job creation, equity and access to markets".

The Global Entrepreneurship Monitor (GEM) is used to measure entrepreneurial activity using the Total Entrepreneurial Activity (TEA) rate. The TEA indicates the prevalence of individuals engaged in emerging entrepreneurship and new firm ownership in the adult (18 to 64 years of age) population. As such, it captures the level of dynamic early-stage entrepreneurial activity in a country (GEM, 2012:13). According to the 2017/18 report as compiled by Singer, Herrington and Menipaz (2018:2) the Global Entrepreneurship Monitor



(GEM) was founded and established by Babson College and it is also being sponsored by the Babson College. The Global Entrepreneurship Monitor (GEM) was established with the basis to provide useful data on both the extent and nature of entrepreneurial activity.

According to the 2012 GEM report as compiled by Herrington and Kelly (2012:10) its main purpose is to assess and track entrepreneurship and explore its relationship with national economic growth with the specific objectives of:

- To track entrepreneurial attitudes, activity and aspirations within economies, in order to provide annual national assessments of the entrepreneurial sector.
- To allow for comparison of levels of entrepreneurial activity among different economies, geographic regions and economic development levels.
- To determine the extent to which entrepreneurial activity influences economic growth within individual economies.
- To identify factors which encourage and/or hinder entrepreneurial activity.
- To guide the formulation of effective and targeted policies aimed toward stimulating entrepreneurship within individual economies.

Entrepreneurship is a precondition for any business. In this regard, South Africa is an underperformer. The latest report by the Global Entrepreneurship Monitor shows how far behind its peers South Africa has fallen.

The following table 2.3 explains the entrepreneurship profile in South Africa.

**Table 2.3: The entrepreneurship profile in South Africa**

<b>Composite Index</b>		
	<b>Value</b>	<b>Rank/54</b>
Entrepreneurial Spirit Index	-0.02	42 T
<b>Self-Perceptions About Entrepreneurship</b>		
	<b>Value</b>	<b>Rank/54</b>
Perceived opportunities	43.2	30
Perceived capabilities	39.9	45
Fear of failure	31.3	38
Entrepreneurial intentions	11.7	39
<b>Activity</b>		
	<b>Value</b>	<b>Rank</b>
Total Early-stage Entrepreneurial Activity (TEA)		
TEA 2017	11.0	27/54
TEA 2016	6.9	52/65
TEA 2015	9.2	38T/65
Established business ownership rate	2.2	50/54
Entrepreneurial Employee Activity – EEA	0.5	48T/54
<b>Motivational Index</b>		
	<b>Value</b>	<b>Rank/54</b>
Improvement-Driven Opportunity/Necessity Motive	1.5	42
<b>Gender Equality</b>		
	<b>Value</b>	<b>Rank/54</b>
Female/Male TEA Ratio	0.69	25T
Female/Male Opportunity Ratio	0.80	44
<b>Entrepreneurship Impact</b>		
	<b>Value</b>	<b>Rank/54</b>
Job expectations (6+)	32.0	7
Innovation	29.7	13
(% in Business Services Sector)	10.3	35
<b>Societal Value About Entrepreneurship</b>		
	<b>Value</b>	<b>Rank/52</b>
High status to entrepreneurs	74.9	14
Entrepreneurship a good career choice	69.4	14

**Source:** Adopted from the GEM 2017/18 report

Based on the GEM report (2012:10), both academics and policy makers agree that entrepreneurs, both young and old and the new businesses they establish, play a critical role in the development and well-being of their societies. A “challenge” relates to an event where an individual’s ability is tested and relates to a circumstance, action or event that creates a barrier to progress (Stevenson, 2010:287).

Chinomona and Maziriri (2015:839) highlighted that great intellectual or physical effort is required to overcome the barrier successfully. Horn *et al.* (2009:90) defined a barrier as an obstruction that prevents movement, drive and access. Buthelezi (2011:28) suggested that when an entrepreneur only seeks opportunities in the area in which he/she is situated, growth may be limited in the entrepreneurial development of the economy.

## 2.5 BLACK OWNED SMMEs

Fatoki and Ntema (2016:45) indicated that as a result of the economic strength of South Africa and its political stable environment, South Africa has become a destination choice for many black entrepreneurs, including foreign nationals.

After the 1994 political change in South Africa, growth have transpired and South Africa became one the largest economies on the African continent (Chamunorwa and Mlambo, 2014). After the political transition the first democratic government launched the BBBEE (Broad-Based Black Economic Empowerment) programme in 2003 with the aims of empowering the previous disadvantaged groups and to enhance the economy.

According to the Broad-Based Black Economic Empowerment (B-BBEE) Act, No. 53 of 2003, the definition of “**black people**” accords with the definition as contained in the revised BEE codes and continues to refer to the generic term which includes Africans, Coloureds and Indians, provided they are citizens of the Republic of South Africa by birth or descent, or became citizens of the Republic of South Africa by naturalization before 27 April 1994 or on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalization prior to that date.

The Broad-Based Black Economic Empowerment (B-BBEE) was established with the mandate in mind to increase the number of black people that own, manage, control and gain employment in the economy of South Africa as it is stated in the Act, No. 53 of 2003.

Co and Mitchell (2006) indicated that black people constitute over 90% of the labour force, however, they only account for 4% of the entrepreneurial initiatives and activities in South Africa. The following table 2.4 will indicate the total number of SMMEs per population group as stipulated in the BER report of January 2016.

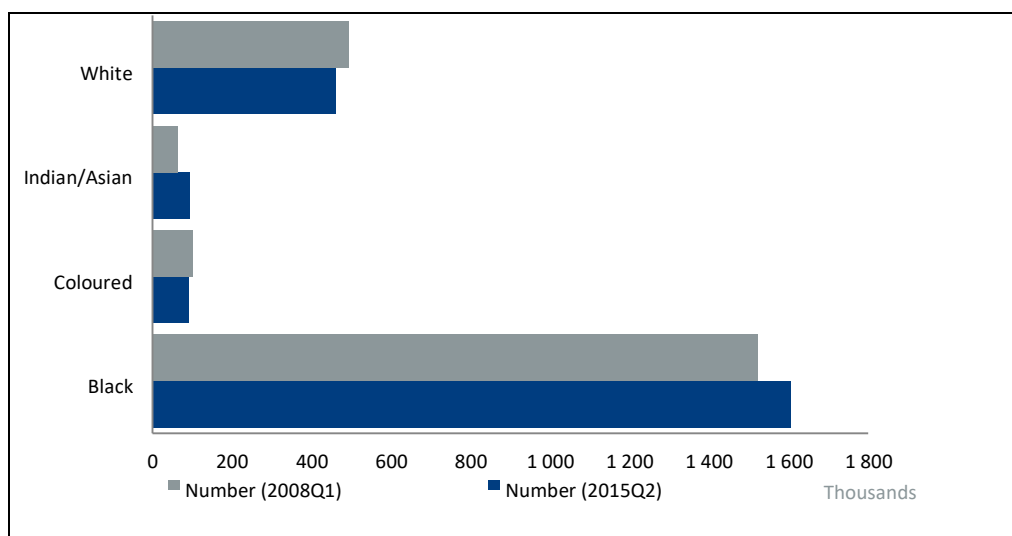
**Table 2.4: SMMEs per population group**

<i>SMME's Number (2008 Q1)</i>					<i>Number (2015 Q2)</i>			
	<i>Total</i>	<i>Formal</i>	<i>Informal</i>	<i>Other</i>	<i>Total</i>	<i>Formal</i>	<i>Informal</i>	<i>Other</i>
<b>Total</b>	2 182 823	666 501	1 420 933	95 389	2 251 821	667 433	1 497 860	86 528
<b>Black</b>	1 523 219	199 430	1 278 803	44 985	1 604 601	228 178	1 325 672	50 750
<b>Coloured</b>	101 047	37 399	60 039	3 608	92 171	33 236	52 454	6 481
<b>Indian</b>	64 669	47 989	16 061	619	94 889	66 596	27 470	823
<b>White</b>	493 889	381 683	66 030	46 176	460 176	339 423	92 264	28 474

**Source:** BER report 2016

A total number of 71% of the SMMEs in South Africa is currently owned by black people and only 20% is owned by the white population. Between 2008 and 2015 there has been a decline of white owned SMMEs. In the meantime, Indians and black people were the only population groups that were growing in terms of SMMEs ownerships. The following figure provides a comparison of the number of SMMEs ownerships of the different races between 2008 and 2015.

**Figure 2.1: SMMEs by Race: 2008Q1 vs 2015Q2**



**Source:** BER report 2016

As stated in the research note (2016:22) of the Bureau for Economic Research (BER), in 2015 the white population owned and operated 51% of formal SMMEs. This number declined from 57% in 2008.

The black population's share improved from 30% in 2008, to 34% in 2015. The share of Coloureds declined along with that of whites, while Indian ownership increased from 7% to 10%.

## **2.6 THE STRUGGLE OF SMALL BLACK BUSINESSES IN SOUTH AFRICA**

Black entrepreneurs are struggling with challenges that are common to all small business owners such as access to capital and contracts, finding reliable employees and other unique challenges due to racial and socio-economic barriers. Different authors and researchers have written extensively about small businesses: their struggles and failures, especially regarding black-owned small businesses.

The entrepreneurship is a road that can be a long, hard and lonely and can also be filled with many frustrations. Emotional support from one's family, friends and the community is imperative and without it the entrepreneur is bound to capitulate.

A common problem among the cases is that many black entrepreneurs are not given the necessary emotional support and end up as emotional wrecks because of the hardships of entrepreneurship. Small business experts, academics, and professionals have all analysed the causes of small business failure in the black community. ABSA small business unit stated that the failure rates are as high as 63% in the first two years of trading (news 24, 2010).

Another factor is that black families and communities do not give the promising black entrepreneurs the space and time to grow their small businesses, for instance when a small black entrepreneur manages to have his business getting underway and developing, his family, friends and community start demanding money, as they believe that the entrepreneur is now wealthy (news 24, 2010).

Factors like the absence of financial managements skills, business management skills, marketing skills and general business planning have been identified as major factors that contribute to small business failure.

I would like to highlight the fact that black families and communities in general play a major role in small business failure. As a black child, we come from a culture of where working for a company or the government, is more respected and trusted than working for yourself. In most black communities working for yourself or starting a business, is generally met with scepticism and a lack of support (news 24, 2010).

When young black entrepreneurs manage to start their small businesses after convincing many people that starting a business is a good thing, they are not given the necessary support, like mentoring, financial advice or emotional support (news 24, 2010)

From the perspective of the researcher, I believe that emotional support is the most important form of support that a young black entrepreneur can be given.

Small black entrepreneurs themselves are also guilty of living beyond their means by immediately buying expensive cars and renting expensive offices with expensive furniture whilst the business is in the start-up phase and needs more cash flow (news 24, 2010)

This trend amongst young black entrepreneurs can be attributed to a lack of mentoring and also to expectations from their families, friends and communities who expect the entrepreneurs to live by a certain standard since they are now businessmen (news 24, 2010)

## **2.7 THE DIFFERENCES BETWEEN ENTREPRENEURIAL FIRMS AND SMALL BUSINESSES**

The small business industry is the backbone of our economy. This sector is creating jobs, they are coming up with new ways and methods of doing old things, and this sector is also assisting in keeping the money in the local community. Without small businesses, South Africa would be in a bigger economic crisis and trouble. Among those of us with small businesses, there is confusion between the terms Small-Business Owner and

Entrepreneur. Both of them can own small businesses, but they have different styles of leadership and thoughts on running the business.

Entrepreneurs are different from small business owners. According to Carland *et al.* (1984) small business owners are primarily concerned with securing income and not usually engaged in innovation, whereby an entrepreneur has high achievement motivation and risk-taking qualities, and they are keen on innovation and change (Carland *et al.*, 1984).

According to Nieman, Hough and Nieuwenhuizen (2008:10), there is a need to understand the difference between small business and entrepreneurial ventures. They argue that though both concepts are important for the development of the economy, yet there is a need to distinguish between the two concepts.

Morris, Pitt and Berthon (1996) distinguished between entrepreneurial ventures and small businesses. The summary of the differences is available below in Table 2.5.

**Table 2.5: Entrepreneurial Firms vs. Small Businesses.**

<b>Entrepreneurial Firms</b>	<b>Small Businesses</b>
• Unstable	• Stable
• Change orientated	• Status quo orientated
• More aggressive	• Not aggressive
• Commercially orientated	• Socially orientated
• Separation of personal and professional activities	• Interaction between personal and professional activities
• Involvement of professionals	• Involvement of family members
• More formal	• More informal
• Strategic	• Tactical
• Future orientated	• Present orientated
• Preference for high-risk/high-return activities	• Preference for low-risk/low-return activities
• Externally orientated	• Internally orientated
• Growing employee base with high potential for conflict	• Steady number of employees
• Expanding resource needs with ongoing cash shortages	• Level resource needs
• Opportunity-driven	• Resource-driven
• Seek growth and appreciation of business value	• Seek profit, income substitution

**Source:** Adopted from Morris, *et al.* (1996)

Meggison, Byrd and Meggison (2000) provided a difference between a small business and an entrepreneurial venture, based on the rapidity of the growth rate of the business. The principle objectives of entrepreneurial ventures are profitability and growth. A business that is regarded as small is owned and operated independently; it is not a dominant player in its industry and does not engage in innovative practices (Meggison *et al.*, 2000). The Differences between the Entrepreneurs and Small Business Owners is indicated below in Table 2.6.

**Table 2.6: The differences between the entrepreneurs and small business owners.**

<b>Small Business Owner</b>	<b>Entrepreneurs</b>
<ul style="list-style-type: none"> <li>• Low propensity towards growth</li> </ul>	<ul style="list-style-type: none"> <li>• High propensity towards growth (looking for new opportunities)</li> </ul>
<ul style="list-style-type: none"> <li>• Preference for low-risk taking and low return activities</li> </ul>	<ul style="list-style-type: none"> <li>• Preference for high-risk taking and high return on activities</li> </ul>
<ul style="list-style-type: none"> <li>• Non business concerns more important</li> </ul>	<ul style="list-style-type: none"> <li>• The business itself takes priority</li> </ul>
<ul style="list-style-type: none"> <li>• Less control-driver</li> </ul>	<ul style="list-style-type: none"> <li>• Strong need for control (an internal locus of control)</li> </ul>
<ul style="list-style-type: none"> <li>• Prefers repetition of tried and true ways</li> </ul>	<ul style="list-style-type: none"> <li>• Likes to experiment with novel approaches (innovation)</li> </ul>
<ul style="list-style-type: none"> <li>• Detail-oriented</li> </ul>	<ul style="list-style-type: none"> <li>• Does not take time for precision</li> </ul>
<ul style="list-style-type: none"> <li>• Sceptical of inspiration</li> </ul>	<ul style="list-style-type: none"> <li>• Driven by aspiration (needs for achievement)</li> </ul>
<ul style="list-style-type: none"> <li>• Works at steady pace</li> </ul>	<ul style="list-style-type: none"> <li>• Works with bursts of energy</li> </ul>
<ul style="list-style-type: none"> <li>• Rarely makes errors of fact Works problems all the way through</li> </ul>	<ul style="list-style-type: none"> <li>• Often makes errors of fact; jump to conclusions</li> </ul>
<ul style="list-style-type: none"> <li>• Patient with routine delays</li> </ul>	<ul style="list-style-type: none"> <li>• Impatient with routine details</li> </ul>
<ul style="list-style-type: none"> <li>• People-oriented, Aware of people's feeling</li> </ul>	<ul style="list-style-type: none"> <li>• Task-oriented, oblivious to people's feeling</li> </ul>
<ul style="list-style-type: none"> <li>• Trustful of others</li> </ul>	<ul style="list-style-type: none"> <li>• Distrustful of others</li> </ul>

**Source:** Adopted from Sirgy and Samli (1995)

According to Rwigema and Venter (2004), entrepreneurial ventures differ from small businesses as follows:

- A small business focuses predominantly on generating an income stream to replace employment, whereas the entrepreneurial venture aims to create substantial wealth.
- A small business may generate profits over the lifetime of the owner, whereas the entrepreneurial venture focuses on generating substantial wealth in the short term.
- Entrepreneurship involves a higher degree of innovation than a small business, thereby creating a competitive advantage and wealth for the entrepreneur.



## 2.8 CONCLUSION

In conclusion, SMMEs and entrepreneurship in general have received the necessary attention from different governmental institutions and this is a very important factor for job creation and economic development which will result in lowering the poverty and the unemployment status in South Africa.

It is necessary to look at all the components and variables of black entrepreneurship. The black society is a big portion of the entire population of South Africa. In our country, in most cases, the black population does not have the necessary qualifications or experience to compete for job opportunities and employment in the formal sector.

This chapter has highlighted various concepts with regards to SMMEs, entrepreneurship and foreign entrepreneurship.

Therefore, entrepreneurship and SMME development must be seen and promoted as a powerful vehicle that can be driven as a mechanism to reduce poverty and the high unemployment rate. Small black entrepreneurs do not have the necessary skills and knowledge to run and manage a business, it is therefore important and expected that government should intervene and develop programmes to assist small black entrepreneurs. Some of the needs that are required include financial support, training support, guidelines and counselling.

More effort from the government's side should be invested in small black businesses. Governmental support is vital for the development of South Africa's economy, especially to curb and decrease unemployment and poverty as these are major concerns for our country.

The literature review has provided the researcher with valuable insight and information regarding the field of entrepreneurship and SMMEs, as well as the field of black entrepreneurship and it further provided the foundation to explore the study topic.

General factors like the lack of financial management skills, business management skills, marketing skills and general business planning, have been identified as major factors that

contribute to the failure of small businesses. I would like to highlight the fact that black families and communities in general play a major role in the failure of small businesses.

The South African government and private sectors need to inspire entrepreneurship in order for it to grow by creating an environment that is receptive to small businesses and thus actively encouraging the sector to create job opportunities.

In conclusion, the researcher regarded SMMEs and entrepreneurship as the driving forces for economic growth and development. However, after consulting different resources regarding entrepreneurship, it clearly shows that there is still no standard universal accepted common definition of entrepreneurship. Researchers have tried to summarise the different definitions regarding an entrepreneur and entrepreneurs, but this task remains complicated since there exists a variety of different definitions.

## **CHAPTER 3**

### **RESULTS AND DISCUSSION**

#### **3.1 INTRODUCTION**

The empirical study was conducted with the aim of exploring the small black owned businesses in the area of the Matlosana Municipality. This study followed a qualitative approach and the owners who participated were interviewed using a self-administered questionnaire as a guide.

In this chapter the researcher provides the results and the discussion of the results as they were obtained from the interviewed participants.

#### **3.2 RESEARCH PARTICIPANTS**

The researcher interviewed 6 black business owners who are operating successful small businesses in the Matlosana area. The participants are engaged in a variety of business activities in different industries. The researcher regarded it important to select different industries to explore and understand black small business owners operating in the different sectors in Matlosana.

The interview guide was divided into two sections: Section A is mainly to gather some information regarding the entrepreneur and to enable the researcher to compile a profile of the respondents. Section B of the interview is structured in a manner that will assist the researcher in acquiring raw data to address the objectives of the study.

The researcher will now identify and explain the prominent themes from the interviews. The researcher divided the themes into subthemes and substantiated them by the data obtained from the empirical study. The researcher referenced each participant with the letters SBO (Small Black Owner), followed by a number in sequence of interviews performed, thus SBO 1 – SBO 6. This was done with the aim of not revealing the names or the identity of the participants.

### 3.3 RESULTS OF THE DEMOGRAPHIC INFORMATION

In this section the research will provide the results and discussion of the results as obtained from the entrepreneurial profiles and structure of the businesses.

#### 3.3.1 Entrepreneurial Profile

##### 3.3.1.1 The age of the entrepreneur

- **Purpose of question**

The main purpose for this question one was to acquire the age of the entrepreneurs that were interviewed.

- **Results obtained**

The age group of the entrepreneurs that were interviewed is listed below in table 3.1.

**Table 3.1 The age of the entrepreneur**

<b>Participant</b>	<b>Age</b>
SBO 1	30
SBO 2	38
SBO 3	21
SBO 4	26
SBO 5	27
SBO 6	25

**Source:** Compiled by the researcher

- **Interpretation of the results**

Based on the results as presented in table 4.1, the study indicates that the black entrepreneurs who participated in this study are between the age of 21 and 38 years. According to Table 4.1, this indicates that entrepreneurship is more popular amongst young people, especially in their twenties.

### 3.3.1.2 The education background of entrepreneur or qualification

- **Purpose of question**

The main purpose for this questionnaire was to establish the educational background or qualifications of the black entrepreneurs that participated in the study.

- **Results obtained**

The educational backgrounds or qualifications of the black entrepreneurs who participated in the study are displayed below in table 3.2.

**Table 3.2: The educational background or qualifications of the black entrepreneur**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	Financial Accounting (N5) – Post Matric
<b>SBO 2</b>	NQF 4 – Computer Studies Post Matric
<b>SBO 3</b>	No Formal qualification Did not complete school, only Gr 11
<b>SBO 4</b>	B Degree (Not yet completed) Post Matric
<b>SBO 5</b>	B Degree Post Matric
<b>SBO 6</b>	Business Management N5 Post Matric

**Source:** Compiled by the researcher

- **Interpretation of the results**

The study reveals that most of the participants possess a higher qualification than matric. Most of the participants have completed matric and went further to acquire post matric qualifications. It is only one participant from this study that did not complete his matric.

### 3.3.1.3 The background of the entrepreneur

- **Purpose of question**

The objective of this question was to acquire the background of the entrepreneur in terms of their entrepreneurial ventures, employment, and family situation.

- **Results obtained**

The results that were obtained from the participants regarding their backgrounds are presented below in table 3.3.

**Table 3.3: The background of the entrepreneur**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“In terms of business I have started to study accounting in the year of 2012 and by that time I was working at Shoprite. I completed my first year and in my second year I started with tutoring at Greatest Academy where Springfield is now operating. I have worked there at least for two years. I managed to finish my qualification in the 3rd year and after that I resigned from tutoring. I started to practice in my 4th year then I acquired my junior book keeping in accounting and the 3rd year I acquired a senior book keeping qualification. I am still working on my technical accounting. In 2017 I started to operate my own construction company whereby I am supplying materials to the Municipality. I first started at an accounting company of four people and I then decided to leave them and start my own company.”</i>
<b>SBO 2</b>	<i>“I am a male entrepreneur and a father of three kids and married and I am staying in Jouberton. I was once employed by the Department of sports, art and culture. I am also involved in an NGO as a youth development skills officer. I have also done coordination of projects for arts and culture, also HIV and AIDS. I am also serving on a number of committees in the North West Arts and Culture and also the Jouberton Arts and Culture organisation. I’m currently an entrepreneur who owns</i>

	<i>an internet café in Jouberton.”</i>
<b>SBO 3</b>	<i>“I first started by assisting my uncle within his business, he was also into the food industry and by the time that I was expecting my first kid I deemed it necessary that I should start making my own funds. I decided to open my own little small business of selling foods and my friend was assisting me now and then but not fulltime. As time went by and the business was growing, I managed to get a bigger space from where I am operating now.”</i>
<b>SBO 4</b>	<i>“Let me start with my family situation, I was born in the Northern Cape and I moved to Klerksdorp. At home it’s myself and four young brothers and my mother and grandfather. I am currently employed by the Dr KK municipality. In terms of entrepreneurial venture we started a company namely Mfusi and Machine consultancy in 2015 which focused on business development and case design. We went into this venture to see how we can scale businesses and how to make business more efficient and viable. We showed interest in the petroleum industry and then established our flagship company which we are currently operating.”</i>
<b>SBO 5</b>	<i>“For my entrepreneurial ventures, I actually started 4 businesses which all failed. The one was groceries, the other transportation, the other one was a consulting business. Career wise I am currently employed.”</i>
<b>SBO 6</b>	<i>“I am passionate about my work. Because I love what I do, I have a steady source of motivation that drives me to do my best. In my last job, this passion led me to challenge myself daily and learn new skills that helped me to do better work. For example, I taught myself how to use Photoshop to improve the quality of our photos and graphics. I soon became the go-to person for any design needs.”</i>  <i>“I am ambitious and driven. I thrive on challenge and constantly set goals for myself, so I have something to strive toward. I’m not comfortable with settling, and I’m always looking for an opportunity to do better and achieve greatness. In my previous role, I was promoted three times in less than two years.”</i>

**Source:** Compiled by the researcher

### 3.3.2 The structure of the business

#### 3.3.2.1 The business location

- **Purpose**

The overall purpose of this question was to obtain the information regarding the *place* where the business is operating.

- **Results obtained**

The results as obtained from the participants are presented below in table 3.4.

**Table 3.4: From where is the business operating?**

<b>Coding</b>	<b>Description</b>
<b>SBO 1</b>	Township
<b>SBO 2</b>	Township
<b>SBO 3</b>	Township
<b>SBO 4</b>	CBD
<b>SBO 5</b>	CBD
<b>SBO 6</b>	Township

**Source:** Compiled by the researcher

- **Interpretation of the results**

Most of the participants are home-based and are operating within the Jouberton township. Only two entrepreneurs are operating within the CBD, in the business area of the Matlosana Municipality.

#### 3.3.2.2 Number of permanent employees

- **Purpose of question**

The main purpose for this question was to determine the exact number of employees employed by the entrepreneur.



- **Results obtained**

The results as obtained regarding number of employees employed by the entrepreneur, are presented below in table 3.5.

**Table 3.5: Number of employees**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	Two
<b>SBO 2</b>	Six
<b>SBO 3</b>	Four
<b>SBO 4</b>	None
<b>SBO 5</b>	None
<b>SBO 6</b>	Four

**Source:** Compiled by the researcher

- **Interpretation of the results**

The study indicates that the entrepreneurs are currently employing employees to assist them in their business operations. The study further reveals that the highest number of employees is six that are being employed by an entrepreneur. The results indicate that four of the six entrepreneurs are creating employment amongst the community members.

### **3.3.2.3 Years in business**

- **Purpose of question**

The main objective of this question is to establish the number of years that the business is in operation.

- **Results obtained**

The number of years in which the participating black entrepreneurs have been running their businesses, is presented in the table 3.6 below.

**Table 3.6: Number of years in operation**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	1 year in operation
<b>SBO 2</b>	7 years in operation
<b>SBO 3</b>	6 years in operation
<b>SBO 4</b>	2 years in operation
<b>SBO 5</b>	2 years in operation
<b>SBO 6</b>	3 years in operation

**Source:** Compiled by the researcher

- **Discussion of the results**

Table 3.6 above indicates that the businesses owned by respondents are between 1 and 7 years old. The study furthermore shows that one entrepreneur has recently started his own businesses, which is one year old.

Two of the respondents indicated that their businesses are two years old. Three of the respondents indicated that they have been running their businesses for between 3 and 7 years. It can be concluded that the study participants are all young entrepreneurs who have been in operation for seven years or shorter. None of the respondents have been running their businesses for more than seven years.

### **3.3.2.4 Industry of operation**

- **Purpose of question**

The main purpose for this question is to determine the industry in which entrepreneurs are operating.

- **Results obtained**

The results of the industry in which participating entrepreneurs have been operating, are presented in table 3.7 below.

**Table 3.7: Industry of operation**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	Construction Industry
<b>SBO 2</b>	ITC Industry
<b>SBO 3</b>	Food and beverage Industry
<b>SBO 4</b>	Gas and Petroleum Industry
<b>SBO 5</b>	Gas and Petroleum Industry
<b>SBO 6</b>	Consulting and general supplies Industry

**Source:** Compiled by the researcher

- **Interpretation of the results**

The industry of operation within the Matlosana area is different from entrepreneur to entrepreneur. Only two of the participants are within the same industry. The industries vary: there is no specific industry which can be identified as a focus point.

### **3.3.2.5 Formal and informal Sector**

- **Purpose of question**

The main purpose of the question was to establish the status of the business in which the entrepreneurs are currently operating.

- **Results obtained**

The status of the businesses being operated by the participating entrepreneurs, is presented in the below in table 3.8.

**Table 3.8: The status of the business**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	Formal – Company registered
<b>SBO 2</b>	Formal – Company registered
<b>SBO 3</b>	<i>“Informal the business is not registered. I am just operating</i>

	<i>without any registration</i> '.
<b>SBO 4</b>	Formal – Company registered
<b>SBO 5</b>	Formal – Company registered
<b>SBO 6</b>	Formal – Company registered

**Source:** Compiled by the researcher

- **Interpretation of the results**

As stated above in table 3.8, the study shows that the majority of the participants are operating formal businesses, their businesses are registered under the company registration authorities.

The study also further revealed that only one of the participants is running an informal business, meaning the business is not registered.

### **3.4 DISCUSSION OF THE OVERALL RESULTS AS OBTAINED**

Section B of the interview guide was divided into four sections and it will be discussed according to the different sections.

The question asked in this section includes the three main themes: (1) before the onset of the business, (2) during the onset of the business, and (3) managing the business. Each main theme contains a set of the different questions that were asked during the interview process.

The following section of the study contains the results as drawn from the data analysis, as well as some of the transcription extracts to support the statements made by the participants.

#### **3.4.1 THEME 1: BEFORE THE ONSET OF THE BUSINESS**

All questions under the umbrella of theme 1 is related to the information regarding the entrepreneur before they he/she started the entrepreneurial ventures or businesses ventures. The following questions were asked:

1. Who did you know while you **were growing** up who had started or owned a business? How did they influence you?
2. Who did you know **after school** who had started or owned a business? How did they influence you?
3. Were your parents, relatives, or close friends **entrepreneurial**? Explain.
4. Did you have **role models**? If yes, share with me their influence on you.
5. What was your **key driving force** to become an entrepreneur?

The codes that were formed include influences by people who owned or started a business *while* the participant was growing up, the influence of other people who owned or started a business that the participant had known *after* school, influence of role models and whether any of the participant's parents, relatives or close friends were entrepreneurial. The codes, with some of the statements made by the participants, are presented in the next paragraphs.

#### **3.4.1.1 The influence of people that owned a business while you were growing up.**

- **Purpose of question**

This question that was asked during the interview is seeking to identify and to understand the influence that participants experienced while they were growing up, from business owners.

- **Results obtained**

The results as obtained from the participants regarding the influence of business owners in their environment *while* the participants were growing up, is presented below in table 3.9.

**Table 3.9: Influence of people that owned a business *while* participant was growing up.**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“I will answer this in relation to the time when I was growing up during my time at MSC college where I studied accounting. There was one gentlemen that was lecturing at the college, he indicated that he saw great potential in me and he also said to me that he wanted me to be an independent accountant one day. He started his own business in 2013 and invited me to work for him while assisting me to acquire knowledge. He influenced me and motivated me to start my own business.”</i>
<b>SBO 2</b>	<i>“There are a number of people in the township that I know who started a business, such as the likes of Rex and Sons, and the other one was Mr Shole who owns flats and buildings and a shop in Jouberton. I grew up buying fat cakes and biscuits from the shops when I came from school and I said to myself that one day I also want to start a business. They influenced me in the way they were operating and connecting the businesses. They made it seem simple and easy to operate a business. That’s how they have influenced me.”</i>
<b>SBO 3</b>	<i>“My uncle was a business owner and my grandmother was also selling some things from home when I was growing up. During the weekends when they were not available and attending to other obligations, I was left running the business. They taught me the ins and outs of the business, they gave me the freedom to explore and that is how I became interested in entrepreneurship. Their business influence and experience motived and influenced me to start my own business.”</i>
<b>SBO 4</b>	<i>“My uncle, my aunt’s husband, is very good entrepreneur who is still in business. He owned a cash loan and catering company and so at times he would take me along to his business dealings. He exposed me to how a business works and how to network. He showed me that determination, resilience and persistence are critical things for an</i>

	<i>entrepreneur.”</i>
<b>SBO 5</b>	<i>“Honestly, my parents started a few businesses before, while I was growing up, but it all failed. I think that they have influenced me that I was able to develop a neck for entrepreneurship.”</i>
<b>SBO 6</b>	<i>“While growing up, there was one family within our surroundings that owned a tuck shop and I used to visit them almost on a daily basis. While they were busy running their tuck shop I became motivated that one day when I grow up, I also want to own a business. The owner of the tuck shop motivated me in different ways. He used to give advice to me, a young person, on how to make these things happen and how passionate you need to be if you want something and that whatever commission you gain from your sales, you should be glad about it and appreciate it.”</i>

**Source:** Compiled by the researcher

- **Interpretation of the results**

During the interview process the interviewees revealed that they did know someone while they were growing up who had owned or started a business. Each entrepreneur was uniquely influenced in different ways. Some participants were influenced by family members such as SBO 3, SBO 4 and SBO 5, while SBO 2 was influenced by role models within the community. During the interview with all of the black small business owners/participants, it became clear that while they were growing up, they knew some people who owned or started a business, and these people had influenced them in some sort of a manner.

### **3.4.1.2 The influence of people that owned or started a business that the participant knew *after* completing school.**

- **Purpose of question**

This question was asked with the aim of determining the influence of people who had started or owned a business that the participants knew after completing school.

- **Results obtained**

The results as obtained from the participants are presented below in table 3.10.

**Table 3.10: The influence of people that owned or started a business that the participant knew after completing school**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“After school, in terms of tertiary level, I have worked at an accountancy company and I used to do the books of many different clients and I used to see the information within this and I used to discuss certain aspects with them. And these people more than once influenced me in a way that I asked myself, why can’t I do my own business? Because it looks so easy and simple to operate a business. That is how they have influenced me”</i>
<b>SBO 2</b>	<i>“There is a number of people that I knew. Some of them were friends of my mother who established their own sewing and catering businesses. During my spare time they also invited me to assist them. They influenced me by showing me the possible ways of sustaining a business and their lifestyles also influenced me in such a manner that it motivated me to also start my own business.”</i>
<b>SBO 3</b>	<i>“My cousin at one stage started a business of buying and selling clothes and he was quite successful in what he was doing and that motivated me. I could say that he influenced me in a number of ways. His manner of hustling influenced me and we also used to share a lot of ideas and wisdom and I told myself that I want to be like him.”</i>
<b>SBO 4</b>	<i>“Let us regard it as the same as the first answer.”</i>
<b>SBO 5</b>	<i>“I knew a couple of people. There is this one guy who became my mentor and he probably carried a most significant role in terms of my entrepreneurial ventures. He owned a variety of companies. Working with him was like my first step to become an entrepreneur, his influence played a big role with me. He brought</i>



	<i>me to the realisation that you can educate yourself in terms of business and that you can start a business that you are not even familiar with.”</i>
<b>SBO 6</b>	<i>“After school there was this other guy who operated one of the biggest car washes in the township. The car wash was close to my home place and I used to see everything that was happening within the business and how he is operating the business. This person influenced me in many ways which I cannot describe but he was very much influential to me. At one point he showed me his business plan and taught me how to compile a business plan”</i>

**Source:** Compiled by the researcher

- **Interpretation of the results**

During the interviews the participants have indicated that, after school, they knew people who started or owned a business and these people that they had known influenced them in one way or another. Each and every participant knew someone influential like participant SBO 2 who indicated that, “There is a number of people that I knew. Some of them were friends of my mother who established their own sewing and catering businesses. During my spare time they also invited me to assist them. They influenced me by showing me the possible ways of sustaining a business and their lifestyles also influenced me in such a manner that it motivated me to also start my own business.”

### **3.4.1.3 Were your parents, relatives, or close friends entrepreneurial?**

- **Purpose of the question.**

This question that was asked during the interview seeks to explore whether any of the participants’ parents, relatives or any close friends were entrepreneurial or not.

- **Results obtained**

The following table 3.11 provides the results as obtained from the participants.

**Table 3.11: Were your parents, relatives, or close friends entrepreneurial.**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“Within my family environment there is no one that is entrepreneurial. I am the first one to follow entrepreneurship as a journey.”</i>
<b>SBO 2</b>	<i>“No one within my family environment was entrepreneurial. I was the first one in the family to be entrepreneurial.”</i>
<b>SBO 3</b>	<i>“As I have already indicated in the past two questions, my relatives, namely my uncle, my grandmother and my cousin were very entrepreneurial. My uncle was selling food and my cousin was buying and selling clothes and my grandmother was also involved in selling things.”</i>
<b>SBO 4</b>	<i>“Not really, from my family side, but when I went to University I met a fellow hostel friend who was an entrepreneur and we ended up starting our company together.”</i>
<b>SBO 5</b>	<i>“My parents were somehow entrepreneurial because they started a few businesses, although they all failed, but they tried. My grandmother also had her own little small survival thing I can call it, she used to buy and sell stuff like a mini tuck shop sort of a thing.”</i>
<b>SBO 6</b>	<i>“Based on my family background I could say that my mother was entrepreneurial, because after being retrenched from her employment she decided to keep herself busy with the buying and the selling of food parcels and vegetables. Based on that I could say someone within my family is entrepreneurial.”</i>

**Source:** Compiled by the researcher

- **Interpretation of the results**

This response from the participants clearly indicate that some of the family members, parents and close friends of the participants were somehow entrepreneurial. Some of the participants experienced influence from these entrepreneurs while they were growing up, like parents were busy buying and selling different items such as participant SBO 6

indicated: *“Based on my family background I could say that my mother was entrepreneurial, because after being retrenched from her employment she decided to keep herself busy with the buying and the selling of food parcels and vegetables. Based on that I could say someone within my family is entrepreneurial.”* Another participant, SBO 3, indicated that his uncle was entrepreneurial as he was selling food, clothes and other things. The other participants like SBO 1 and SBO 2 indicated that none of the family members or any close friends were entrepreneurial.

#### 3.4.1.4 Influences of role models

- **Purpose of the question**

The purpose of this question was to find out if the participants have had role models and how had these role models influenced them.

- **Results obtained**

The following table 3.12 presents the response from the participants who all indicated that they somehow had a role model and they were even able to name them.

**Table 3.12: Role models**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“Yes, I do have role models. There are quite a few of them that I cannot name even. You know, in accounting there is a concept which is called CPD (continuous professional development) whereby we need to do continuous articling and those presenters influenced me on the road to self-development.”</i>
<b>SBO 2</b>	<i>“As I have indicated in the previous question, within the township I grew up there is a number of business people who started their own businesses like such as Rex and Sons and Shole. They have given me the design to be like them, hence, that motivated me to start a business.”</i>
<b>SBO 3</b>	<i>“There are basically two people that inspired me and I regard</i>

	<p><i>them as my role models. DJ Sbu and DJ Ba2cada. Their backgrounds, where they come from, influenced me. The way they have hustled to come to the point where they are in life now. Both of them are radio personalities who started their own businesses from nothing and their dedication and persistence have taught me that you can make a success in business starting from nothing. The motivation from DJ Sbu is: wake up and do it today, not tomorrow.”</i></p>
<b>SBO 4</b>	<p><i>“Yes, I have, in terms of business. I look to the likes of Warren Buffet, Vusi Thembekwayo, Peter Johnson. Those are a few names that made me to look at business in another way.”</i></p>
<b>SBO 5</b>	<p><i>“Yes, I have quite a few role models, they are people you see from a distance, they do not know you and you do not know them, they are just there. Like Michael Gladwell and the likes of Vusi Tembewayo, with his struggle and how he made a success at a very young age and is still achieving it. My uncle, who started his own business played an influential role in my life and persuaded me to start entrepreneurship.”</i></p>
<b>SBO 6</b>	<p><i>“I am not really sure if I have a constant role model. But at various stages of my life, for various aspects - some of which no longer are applicable - I have been inspired by people. The biggest influential role model is Bonginkosi Zola Dlamini, a well-known motivational speaker, actor, singer and poet. I am viewing him as role model because this is a person that started from nothing and through his dedication and hard work he managed to pull through and made something of himself. He used to encourage and inspire young township guys to stop hanging around the corners and begging. We should go out there and make things happen for ourselves, even by starting selling sweets on the streets. Wake up and do something! We all started somewhere.”</i></p>

**Source:** Compiled by the researcher

- **Interpretation of the results**

The influence of role models on the lives of the participants is interesting as it does not directly influence the business itself, but the entrepreneur, as a person. Role models were not discussed in any part of the literature study, however, this aspect plays a significant role in the lives of all the participants.

Role models are an influential factor in the success and motivation of the entrepreneurs themselves. According to the participants, all of them have someone that they regard as a role model and some of the participants could even provide the names of the role models. Participant SBO 6 indicated that *“The biggest influential role model is Bonginkosi Zola Dlamini, a well-known motivational speaker, actor, singer and poet. I am viewing him as role model because this is a person that started from nothing and through his dedication and hard work he managed to pull through and made something of himself. He used to encourage and inspire young township guys to stop hanging around the corner and begging. We should go out there and make things happen for ourselves, even by starting selling sweets on the streets. Wake up and do something! We all started somewhere.”* Participant SBO 3 indicated that his role models are “DJ Sbu and DJ Ba2cada”.

#### 3.4.1.5 **Entrepreneurial key driving forces**

The entrepreneurial driving force is a difficult concept to discuss due to the fact that participants had to recall and remember what was driving them to become entrepreneurs in the first place. Only two participants could directly mention what was driving them to become an entrepreneur, without the need to rethink and recall events or persons.

- **Purpose of the question**

The aim of this question was to explore what the **key driving force** was in the lives of the participants, to become entrepreneurs.

- **Results obtained**

The following table 3.13 provides a description of how the participants explained the key driving forces for them becoming entrepreneurs.

**Table 3.13: Key driving forces**

Participant	Description
SBO 1	<i>“My key driving force to start entrepreneurship was because of monetary value. You know, as we grow up things are becoming more expensive daily and with a salary as the only income I could not afford everything that I needed so I decided to involve entrepreneurship to generate an extra income. To make money was my key driving force.”</i>
SBO 2	<i>“I was friends with some young people in the location who were owning small businesses. I used to talk to them about business and they motivated me to also start a business. Their struggles for success were the key driving force that pushed me to become an entrepreneur.”</i>
SBO 3	<i>“The key driving force for me to become an entrepreneur is that I liked to do things in my way and I did not want to limit myself working for someone. Working for someone is like you are pushing and building the empire of someone else and I do not like that. My struggle and poverty drove me to become an entrepreneur so that one day I can also build my own empire.”</i>
SBO 4	<i>“The fruits that we can get from business, I wanted to have a flashy lifestyle. Another driving force for me was to address the unemployed and the poverty issues looking around me. Looking at our current situation in the country, I want to eradicate it.”</i>
SBO 5	<i>“The ability to be free. Being an entrepreneur allows you to see something not working and to create something out of it.  “It was out of personal frustration, I figured out that you can actually make a lot of wealth through entrepreneurship. I was not happy where I was.”</i>
SBO 6	<i>“Actually, the driving force for me to enter entrepreneurship was the ability to be flexible and to have control. It’s all about flexibility and control.  “Flexibility it’s all about being your own boss in the world of</i>

*entrepreneurship and this enables you to be free as an entrepreneur. As an entrepreneur you can work your own hours, you can work wherever you feel like working and if you do not want to work then you do not work. The ability to set your own goals and responsibilities.”*

*“With control I mean that I wanted to attain a leadership position and in the corporate world I was not going to make it easily, so I decided to start my own thing to enable me to attain my leadership position. You know, if you are the boss of your own business, you call all the shots, you decide how to employ and how they will get paid.”*

**Source:** Compiled by the researcher

- **Interpretation of the results**

From the above table it is clear that each entrepreneur has had different driving factors in starting this/her own small businesses in the Matlosana Municipality area. One of the participants indicated that he wanted to have a flashy lifestyle and the fruits that you could get from owning a business was a driving force for him to become an entrepreneur. One of the other participants indicated that flexibility was driving him to be an entrepreneur. Participant SBO 5 indicated that his personal frustrations were driving him to become an entrepreneur, because he was not happy where he was and he also thought that through entrepreneurship wealth could be generated. The results as obtained clearly indicate that each entrepreneur is different from the next and each one of them has his/her own unique driving force which propelled him/her into entrepreneurship.

### **3.5 THEME 2: DURING SETUP**

All questions under the umbrella of theme 2 are related to the information during the setup phase of the entrepreneurial business. The questions that were asked to the study participants were:

1. How did you spot the opportunity to start your business? How did it surface?

2. How did you evaluate the opportunity to make sure that the business will have a good chance to succeed (feasibility study, business plan, broad ideas)? Please explain the processes that you followed.
3. How much capital did it take? How did you source the capital?
4. What challenges have you experienced during the setup phase of the business?
5. What outside help did you get during the setup of your business (i.e. advisors, consultants, the DTI)?

The codes that were formed under theme 2 include the factors such as how did the entrepreneur identify the opportunity to start the business, the evaluation of opportunity, the amount and source of capital required, challenges experienced during the setup phase and outside help received during the setup. The codes, with some of the statements made by the participants, are presented in the next paragraphs.

### **3.5.1 How did you spot the opportunity to start your business?**

- **Purpose of the question.**

The purpose of the question to the participants seeks to explore and find out how did the participants identify the opportunity to start the business and how did it appear.

- **Results obtained**

The results as obtained from the participants regarding how they have identified the opportunity to start their own businesses and the manner in which it has appeared, are presented below in table 3.14.



**Table 3.14: How did you spot the opportunity to start your business?**

Participant	Description
<b>SBO 1</b>	<i>“I was once part of an accounting firm and our services included the registration of companies and doing book keeping for the companies. As I was doing the books and registered the applications, I saw that within this industry you can make quite a lot of money, so I then decided to register my own company and started to trade. I got an opportunity to supply some materials to the municipality, that is how it surfaced.”</i>
<b>SBO 2</b>	<i>“There was a time when I had to do some typing, printing and making copies and I had to travel a long distance to access those facilities and resources. So this is how I have spotted the opportunity and I opened a business in one of the busiest streets in Jouberton which is next to a shopping complex (Choppies) and it is also near a school.”</i>
<b>SBO 3</b>	<i>“I have worked within this industry. I was assisting my uncle within his business so that is how I have spotted the opportunity. I saw what my uncle was doing and his client base and how the market was responding. That’s how I spotted the opportunity for my business and I went to start one similar to the one that my uncle was operating”.</i>
<b>SBO 4</b>	<i>“We actually saw an advert of a tender from the municipality and me and my friend we decided to make a bid for it and we ended up getting it. It was a contract at the municipality to fund raise for business development and that is how we saw the opportunity and we decided to start our own company, that is how it has surfaced.”</i>
<b>SBO 5</b>	<i>“I woke up one morning, and all we knew was that we wanted to start a company. Within that same day I called my partner and we saw in the newspaper a tender being advertised. We spend all our money register the company and to purchase the tender documents and that’s how everything started. We just figured it out and we just started.”</i>

<b>SBO 6</b>	<i>“Generally, to be honest, the way we spotted the opportunity is that one day we were sitting with some friends - some of them student leaders at one of the colleges - they were planning to have an event and they were looking for someone to supply them with a variety of consumables. We went and registered a company and we compiled a proposal and they decided to give us the business, that’s how it surfaced.”</i>
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**Source:** Compiled by the researcher

- **Interpretation of the results**

The participants indicated how they had identified the opportunities to start their businesses and the manner in which it had surfaced. One of the participants indicated the following *“Generally, to be honest, the way we spotted the opportunity is that one day we were sitting with some friends - some of them student leaders at one of the colleges - they were planning to have an event and they were looking for someone to supply them with a variety of consumables. We went and registered a company and we compiled a proposal and they decided to give us the business, that’s how it surfaced.”*

The other participant stated the following *“I have worked within this industry. I was assisting my uncle within his business so that is how I have spotted the opportunity. I saw what my uncle was doing and his client base and how the market was responding. That’s how I spotted the opportunity for my business and I went to start one similar to the one that my uncle was operating”*.

From the above indicated table it is clear that the participants identified business opportunities in different ways and in unique circumstances.

### **3.5.2 Evaluation of the opportunity**

- **Purpose of the question**

The purpose of this question was to explore how the participants evaluated the opportunity to make sure that the business will have a good chance to succeed.

- Results obtained

**Table 3.15: Evaluation of the opportunity**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>"I did not use a business plan, because a business plan is useless. I had a company profile which is more like the cv of the company, it is better than a business plan. You know the time when I was working at the accounting firm we had a white client who was in big construction company. When they visited I used to gather some information and compared that with my ideas and would it be a match for me. That is how I was able to survive in the industry."</i>
<b>SBO 2</b>	<i>"I compiled a business plan and at first, I accessed the location from where I was operating. I also checked the number of schools within my surroundings that experienced challenges with services like printing, typing and faxing. I then went to engage with these schools telling them about my services and encouraged them to utilise my service. That is the process that I have followed to ensure that my business succeeded."</i>
<b>SBO 3</b>	<i>"I do not have a written document such as a business plan, I have a business strategy in mind which I am applying in my business and that strategy assisted me in achieving success. My business is sustainable, based on the strategy that I am following. I cannot share or disclose that strategy of mine and the process that I have followed. Thank you."</i>
<b>SBO 4</b>	<i>"We evaluated the opportunity by actively discussing the idea with the key industry players such as BP North West and other petroleum companies. We did not do a feasibility study because we had enough industry information. We started to engage with the department of energy and other big companies in how we could make this model more feasible than the way it is currently. Yes, we do have a written business plan."</i>
<b>SBO 5</b>	<i>"We did a feasibility study for a good two years, but we were</i>

	<i>doing it for a client, but it is art. We never did a business plan we did a business model canvas which is a one pager. I still believe it's the best way to start a business. If you articulate all your ideas on that one pager and it makes sense to the next person, then you have an idea that you can use. This is the process we followed and we found a lot of ideas. We are still going through a feasibility process, we are not yet done."</i>
<b>SBO 6</b>	<i>"We just operated with faith, we did not do any feasibility study. We just saw an opportunity and we took the chance. We have a written company profile and business plan that were developed by us."</i>

**Source:** Compiled by the researcher

- **Interpretation of the results**

The feedback revealed that some of the participants are no longer considering drafting a business plan, for instance participant SBO 1, SBO 3 and SBO 5 indicated that they did not do a business plan as part of the feasibility study. One of the participants even indicated that he did not do any business plan because a business plan was at that stage a useless document. The other participants indicated that they compiled a business plan as part of the feasibility study. One of the other participants indicated that *"We just operated with faith we did not do any feasibility study we just saw an opportunity and we took the chance. We have a written company profile and business plan that was self-developed by us."*

### **3.5.3 Amount and source of capital required**

- **Purpose of the question.**

The question as outlined was seeking to find out from the participants how much capital was required to start the business and how did you source the capital to start the business.

- **Results obtained**

The results as obtained from the participants regarding the amount required to start the business and the source of capital, are presented below in table 3.16.

**Table 3.16: Required Capital**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“It was easy to source the capital. I started with a zero account. I only paid the registration cost of around R2000.00 to start my business. It was self-funded. I firstly operated as a virtual office so I was working from home.”</i>
<b>SBO 2</b>	<i>“It is around R30 000 that I used to start the business and I have used my own funds to start the business - utilised personal funds.”</i>
<b>SBO 3</b>	No information provided.
<b>SBO 4</b>	<i>“Everything was self-funded: the registration of the company, the setting up of the company and all the travelling costs and other related cost. I can say that everything was around R200 000.00 that is a including trying to research things.”</i>
<b>SBO 5</b>	<i>We utilised our own funding and the registration and other admin costs were around R 5000.00 max.</i>
<b>SBO 6</b>	<i>“The initial start-up capital, including the registration and the opening of the bank account, was around R 1 500. It is an estimated figure that I can give. The office equipment came to an amount of R 5 000.00”</i>

**Source:** Compiled by the researcher

- **Interpretation of the results**

From the researcher’s perspective, this question was not very clear as the participants did not understand whether they should reveal only the amount required to register the business and whether also to reveal the initial amount to set up the business. All of the participants indicated that they have utilised their own personal funds to start the business.

The amounts differ, for instance SBO 1 indicated that his initial costs were R 2 000.00 and SBO 2 indicated that he used R30 000.00 to start his business ventures. None of them could actually specify how much money was utilised for registration and how much was utilised for equipment and setup costs. It is only participant SBO 6 that provided a clear indication that R1 500.00 was used for registration of the business and a bank account and R5 000.00 was utilised for office equipment. This study has further revealed that the starting capital for any business is not constant and it further revealed that most of the entrepreneurs utilised their own funding to start their ventures.

### 3.5.4 Challenges experienced during start up

- **Purpose of the question.**

The purpose of this question was to determine the challenges that were experienced by the participants during the start-up phase of the business.

- **Results obtained.**

The results as obtained from the participants regarding the challenges that they experienced during the start-up phase of the business, are presented below in table 3.17.

**Table 3.17: Challenges during start up**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“I experienced some financial challenges and it led to the closing of the bank account of the business. I did not know that an account is terminated if money is not deposited in it.”</i>
<b>SBO 2</b>	<i>“I have had limited resources and capacity to fully function. Another challenge that I experienced was staff capacity. I did not have staff members that were fully trained. The staff was not fully equipped to do the duties effectively.”</i>
<b>SBO 3</b>	<i>“When I first started I experienced Pricing as one of my biggest challenges due to fluctuations of the stock prices. I could not chop and change my pricing because it was already fixed and my</i>

	<i>customers knew what I was charging. I could not amend my pricing and ended up not making the profit that I was expecting. The other challenge that was part of the starting of the business was the economic and financial challenges. I ended up not paying myself a salary just to enable the business to sustain and to operate.”</i>
<b>SBO 4</b>	<i>“During the start-up we were not experienced. So we had many ideas and did not know how to fit them in because all the partners had their own ideas, so our vision was then not that clear. The other challenge was to secure business premises, especially from the government from where we could operate our project, especially for previous disadvantaged people.”</i>
<b>SBO 5</b>	<i>“A combination of a couple of things such as financial backlogs. The other challenge that we faced was pricing. In the retail space we experienced a lot of red tape which are barriers to small start-up businesses.”</i>
<b>SBO 6</b>	<i>“Lack of awareness: during the starting days of our business we were unknown in the business environment. Potential clients did not know about us and this was challenging because we could not attract and gain customers.”</i>  <i>“Negative perception: Another challenge that we faced was a negative perception from a potential customer. There was a point where a potential customer perceived us as unable to provide him with the required quality products and services, compared to other large businesses.”</i>  <i>“Lack of managerial skills.”</i>

**Source:** Compiled by the researcher

- **Interpretation of the results**

Each and every start-up is perceived to have experienced challenges during the setup phase of the ventures. The participants revealed the challenges that they had experienced during their setup journeys. The common challenge experienced by the participants is the

financial challenge (SBO 1, SBO 3 and SBO 5). Participants also indicated challenges such as lack of managerial skills, negative perceptions, limited resources and pricing.

### 3.5.5 Outside help received during the start up

- **Purpose of the question**

The purpose of this question was to find out whether the participants received outside help during the start-up of the business.

- **Results obtained**

The results as obtained from the participants regarding the outside help received during the start-up of the business, are presented below in table 3.18.

**Table 3.18: Outside help received during start up**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“My client base includes different people. I have good relationships with people working at Economic development. I also got help from them and also received advice from people within the industry. So in a nutshell, I have used my contacts for advice and consultations.”</i>
<b>SBO 2</b>	<i>“I went to seek advice from governmental institutions such as SEDA and BASA and I have also attended workshops arranged by the department of FEED for knowledge and advice. I attended seminars arranged by the ABSA mentorship program.”</i>
<b>SBO 3</b>	<i>“I did not receive any outside assistance, I started on my way and I was doing my own things. I just consulted my uncle for advice on the business as he was operating a similar business and he was much more experienced.”</i>
<b>SBO 4</b>	<i>“We received support from business partners. We are also participating in the North West growth acceleration programme - they are supporting us with mentorship. Shanduka and Eskom</i>



	<i>played a major role in our business, in terms of advice and mentorship.”</i>
<b>SBO 5</b>	<i>“We got help in different forms. We entered competitions. I was part of the Standard Bank competition and I acquired a lot of advice and mentoring from them. We are also part of the FEED program. We have had advice and influence from other people.”</i>
<b>SBO 6</b>	<i>“During the initial start-up of the business, we did not get any outside help. We tried the NYDA but with no luck, we did not receive anything from them. We tried the office of the mayor of Matlosana but also nothing was gained from that. The only assistance that we received was from another entrepreneur who was assisting us with the registration and other paper work to enable us to be compliant with the regulations.”</i>

**Source:** Compiled by the researcher

- **Interpretation of the results.**

The participants within this study revealed that they had received assistance from different sources, and support and advice from different organisations and different people. For instance, participant SBO 4 indicated that they received support and assistance from outside agencies such as Eskom and Shanduka and another participant is currently also part of the *North West growth acceleration programme*. Furthermore, participant SBO 5 indicated that he was part of the Standard Bank competition and from that he has acquired advice and guidance. It is only one participant that did not receive any advice or assistance from any agency or organisation, the only help he received was from a fellow entrepreneur. Participant SBO 6 indicated the following, *“During the initial start-up of the business, we did not get any outside help. We tried the NYDA but with no luck, we did not receive anything from them. We tried the office of the mayor of Matlosana but also nothing was gained from that. The only assistance that we received was from another entrepreneur who was assisting us with the registration and other paper work to enable us to be compliant with the regulations.”*

### **3.6 THEME 3: MANAGING THE BUSINESS**

All questions under the umbrella of theme 3 are related to the information regarding the management phase of the business. The questions that were asked to the study participants were:

1. What challenges are you experiencing in the management of the business? Please elaborate on these challenges.
2. How do you define success?
3. What skills or attributes should an entrepreneur possess to be successful?
4. Did you spend more time, the same amount of time, or less time with the business now than in the early days?
5. What are your support or training needs? Please elaborate on this.

The codes that were formed include the challenges experienced during management phases, definition of success, the skills and attributes, the amount of time spend, as well as the support and training needs. The codes with some of the statements made by the participants are presented in the next paragraphs.

#### **3.6.1 Challenges experiencing in the management of the business**

- **Purpose of the question**

The purpose of this question was to explore the challenges that the participants were experiencing in the management of the businesses.

- **Results as obtained**

The challenges that were experienced by the participants during the management phase of the business, are presented below in table 3.19.

**Table 3.19: Challenges experiencing in the management of the business**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“Currently I am renting a place and it is quite expensive and the space is not that big. So I am having space problems and some of my business equipment is just standing in some storage space because my place cannot accommodate it. Some of my equipment is not utilised due to various reasons.”</i>
<b>SBO 2</b>	<i>“The space that I am currently using is too small due to the increase of the customers. I require more space in which to operate. The issue of space is quite a challenge and impacts the management of the business.”</i>
<b>SBO 3</b>	<i>“Currently now in the management of my business I am experiencing equipment challenges and these are hindering the business and it is causing a delay. My stoves sometimes are not functioning that well and it is making the processing longer and the customers have to wait longer before they can get their orders. It is a bit challenging when your customers are not happy.”</i>
<b>SBO 4</b>	<i>“During our start-up we gave some equities to someone in exchange for something. Now in the management of the business, this person is trying to dominate the overall operations of the business and sometimes it is not goal oriented as per the vision of the company. This leads to clashes and it is a major challenge to manage the business because we are not agreeing on a lot of things and he is trying to block us by being domineering and interfering on how decisions are being taken.”</i>
<b>SBO 5</b>	<i>“Structural challenge. We are currently three directors within the business and all of us do not know what our actual duties are. The other challenge was that we initially employed too many staff members without developing accountability systems for them. Now they are just there and we do not know what to do with them because there are no clear job descriptions.”</i>

<b>SBO 6</b>	<i>“Regulatory burdens – Regulation and compliance. Dealing with SARS. Access to financing and maintaining reputation.”</i>
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**Source:** Compiled by the researcher

- **Interpretation of the results**

The participants indicated the current challenges which they are experiencing during the management phase of the business. These challenges include challenges such as regulatory burdens, maintaining reputation, structural challenges, as well as challenges regarding equipment.

### 3.6.2 Success

- **Purpose of the question**

The purpose of this question is to acquire the definition of success based on the perception of the participant.

- **Results obtained**

The different definitions of success based on the perspective of the participants are presented below in table 3.20.

**Table 3.20: Participants definition of success**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“I can define success as something that you do not find on the way, you need to find a way to get it. Success is not something that you can find on the road but you need a way to find it. To be successful is like going at all the milestones to get what you want. You go and find it, it will not just come to you.”</i>
<b>SBO 2</b>	<i>“According to me, success is when you grow from one level to another level with achievements. It is more about achievements to me.”</i>

<b>SBO 3</b>	<i>“I would define success as a sense that if things go the way that you are expecting them to go and the way you want them to go - that is then success.”</i>
<b>SBO 4</b>	<i>“Success to me is what I have termed as what I want to achieve before I can say I am done. If I have achieved the goal that I have set for myself, then I can say I am successful.”</i>
<b>SBO 5</b>	No information provided.
<b>SBO 6</b>	<i>“According to me I can define success as a way of looking back at your life, and possessing a great amount of pride around your creations and accomplishments. I believe this is success. Achievement of an action within a specified period of time or within a specified parameter.”</i>

**Source:** Compiled by the researcher

By asking the participants how they define success, a couple of things came to the front during the interview process. None of the participants linked success to wealth and monetary value. Some of the participants found this question difficult because, according to them, this question is a very deep and personal question that a person needs to decide for himself/herself. From the results, as obtained from the participants, we take note that each and every entrepreneur has his/her own definition for success. Participant SBO 6 indicated that, *“According to me I can define success as a way of looking back at your life, and possessing a great amount of pride around your creations, accomplishments. I believe this is success. Achievement of an action within a specified period of time or within a specified parameter.”* Participant SBO 4 indicated that, *“Success to me is what I have termed as what I want to achieve before I can say I am done. If I have achieved the goal that I have set for myself, then I can say I am successful.”*

### 3.6.3 Skills and attributes

- **Purpose of the question**

The purpose of this question was determine the skills and attributes that an entrepreneur should possess, to be successful.

- **Results obtained**

The following skills and attributes as outlined by the participants, that an entrepreneur should possess to be successful, are presented in table 3.21 below:

**Table 3.21: Skills and attributes required to be successful**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<p><i>“Patience and listening skills.”</i></p> <p><i>“You need to relate yourself with the market.”</i></p> <p><i>“Participate in workshops to acquire a lot of skills and knowledge.”</i></p>
<b>SBO 2</b>	<p><i>“To be successful an entrepreneur should possess the following skills to be successful: Management skills and financial management skills. Those are the key main skills that an entrepreneur should have.”</i></p>
<b>SBO 3</b>	<p><i>“From my perspective an entrepreneur should be in possession of distinct management and marketing skills. If you master those skills then you are going to be successful in business, according to me.”</i></p>
<b>SBO 4</b>	<p><i>“You must be able to negotiate and persuade people, you need to understand change management and conflict management, you need to understand the business psychology as a skill. The attribute that I deem also important is persistence and determination. Without those two, the world will never go around.”</i></p>
<b>SBO 5</b>	<p><i>“Resilience when you start a business: do not just give, you must keep on knocking, eventually some doors will open. You need to be very persistent as well.”</i></p>
<b>SBO 6</b>	<p><i>“Based on my perspective, I would say that an entrepreneur should have the following skills to be successful:</i></p> <p><i>Strong people skills: a successful entrepreneur should be able to deal and handle different types of people.</i></p>

	<p><i>Excellent communication skills: You must be able to communicate with your customers, selling the products to customers and motivating your employees.</i></p> <p><i>Strong work ethics.</i></p> <p><i>Management Skills: these skills include planning and organising, identifying possible customers and distribution channels, sourcing and managing financial resources, managing or minimising risks and the ability to place the appropriate structures and control mechanisms in place.”</i></p>
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**Source:** Compiled by the researcher

- **Interpretation of the results.**

The response of each and every entrepreneur is different and each one of the participants indicated the skills and attributes that they think an entrepreneur should possess to be successful. Each entrepreneur has different views regarding this, for instance participant SBO 3, indicated that *“From my perspective, an entrepreneur should be in possession of distinct management and marketing skills. If you master those skills then you are going to be successful in business, according to me.”* Another participant, SBO 5, indicated the following, *“Based on my perspective, I would say that an entrepreneur should have the following skills to be successful:*

*Strong people skills: a successful entrepreneur should be able to deal and handle different types of people.*

*Excellent communication skills: You must be able to communicate with your customers, selling the products to customers and motivating your employees.*

*Strong work ethics.*

*Management Skills: these skills include planning and organising, identifying possible customers and distribution channels, sourcing and managing financial resources, managing or minimising risks and the ability to place the appropriate structures and control mechanisms in place.”*

### 3.6.4 A comparison between the amount of time spent in early stages and later stages of the business

- Purpose of the question.

The purpose of this question was to find out whether the participants spend more time, the same amount of time, or less time with the business now than in the early days.

- Results obtained.

The results as obtained from the participants are indicated below in table 3.22.

**Table 3.22: Time spending within the business**

Participant	Description
SBO 1	<i>"In the early days when I started the business, I was working also, so I could not have given all my time to the business. But since I have resigned from my job, I am now spending full time on my business."</i>
SBO 2	<i>"During the early days I used to spend more time in the business. Now that the business has expanded, I have managed to hire 6 people. This has enabled me to go outside and explore other ventures, so now I am spending less time in the business than before."</i>
SBO 3	<i>"Currently I am spending less time at the physical business site. I am spending much time outside the business doing business related duties. I am in the process of opening another business in the same township, but just at a different section."</i>
SBO 4	<i>"I am now spending more time with the business than before. I am every day in the business."</i>
SBO 5	<i>"Currently I am spending less time which is very wrong because we are in a growth time and my skill is more required."</i>
SBO 6	<i>At the beginning I was just there to oversee that things happen. I</i>



	<i>did not spend so much time with it, now that the business is in its growth phase I am spending more time on it than ever before because the growth phase requires a lot of dedication and supervision.</i>
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**Source:** Compiled by the researcher

- **Interpretation of the results**

Based on the findings of this study it is revealed that some of the participants are spending less time with the business currently than before and some of the participants indicated that they are spending more time with the business than before. For instance, participants SBO 5, SBO 3, SBO 2 have indicated that they are currently spending less time with the business than before. One of the participants indicated that *“During the early days I used to spend more time in the business. Now that the business has expanded, I have managed to hire 6 people. This has enabled me to go outside and explore other ventures, so now I am spending less time in the business than before.”*

### 3.6.5 Support and training needs

- **Purpose of the question**

This question was asked with the aim of determining the support or training that are required by the participants.

- **Results obtained**

The results as obtained from the participants are presented below in table 3.23.

**Table 3.23: Support and training needs**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“I require more exposure in the construction industry. You know I just started in this industry and we are not that known so if we could get more exposure it would be good.”</i>

	<p><i>“Funding support – I do require support because I am currently struggling with financial difficulties to manage my business successfully.”</i></p> <p><i>“Empowerment from the municipality. I would appreciate it if the municipality could provide some attention to small companies and support us more and more.”</i></p>
<b>SBO 2</b>	<i>“Since I am in the business of ITC, I require support and training in terms of IT support and development like advanced software updates and networking. I also require financial management support and record keeping skills.”</i>
<b>SBO 3</b>	<i>“From my perspective and to better my business operation, I require some financial management skills in terms of how to do effective bookkeeping and how to set up a good pricing strategy.”</i>
<b>SBO 4</b>	<i>“I ventured into varsity and doing law and politics before finding myself in business. So I would like to venture more and get more clarity and information on how to market the business. Basically I require more marketing skills and knowledge.”</i>
<b>SBO 5</b>	<i>“In terms of training for the future, it’s very important. Currently I am learning more about regulatory processes within the petroleum industry.”</i>
<b>SBO 6</b>	<p><i>“Presentational skills”</i></p> <p><i>“Cash management skills: You know most of the small businesses have to close their doors due to the lack of cash. If you do not have good cash management skills the chances that you can go bankrupt are high. I would benefit from more training regarding how to manage the cash of the business.”</i></p> <p><i>“Government and municipality support: The role of the government in facilitating and supporting SMMEs remain. It is the government that creates the right or undesirable environment for small business growth. I would say that the local municipality should provide support to us .They must create platforms for us where we can market our businesses and in terms of</i></p>

	<i>procurement they should also consider and support small businesses.”</i>
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**Source:** Compiled by the researcher

- **Interpretation of the results.**

The majority of the small black business owners in the Matlosana area that have participated in this study revealed that they require some sort of skills, training and support from either the municipality or any other government authorities or the private sector. These participants indicated that, in general, there is a need for them to acquire training and support in the different areas as presented in table 3.23 above.

### **3.7 CONCLUDING QUESTIONS**

All questions under this section are related to the information regarding participants themselves and how they perceive certain things regarding entrepreneurship. The questions that were asked to the study participants were:

1. What things do you find personally rewarding and satisfying as an entrepreneur?  
What have been the rewards, risks and trade-offs?
2. What advice would you give to an aspiring entrepreneur? Could you suggest the three most important lessons that you have learned?
3. Who should try to be an entrepreneur? And who should not?
4. Are there any other questions that you wish I had asked; from which you think I could learn valuable lessons?

The codes that were formed include rewards, risks and trade-offs, advice for aspiring entrepreneurs, who should try to be an entrepreneur and who should not, valuable questions. The codes with some of the statements made by the participants are presented in the next paragraphs.

### 3.7.1 Rewards, risks and trade-offs

- **Purpose of the question**

The purpose of this question was to find out what the participants personally find rewarding and satisfying as entrepreneurs.

- **Results obtained**

The results as obtained from the participants are presented below in table 3.24.

**Table 3.24: Rewards, risks and trade-offs**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>What I am finding satisfying as an entrepreneur is that in this industry you constantly learn new things. What I find rewarding is that I am my own boss and I can do what I like at any time but still need to be disciplined. I have full control over my workspace. The reward that I have received is that I am able to generate enough funds to sustain myself and my family. Other rewards include certificates of achievement from the workshops and seminars that I have attended."</i>
<b>SBO 2</b>	<i>"If you put your heart, mind and soul into something, eventually you will achieve what you want to achieve. My personal reward is that I have managed to establish other business ventures in other places. I was also able to purchase two cars which I did not have when I started. I have also managed to expand my house."</i>
<b>SBO 3</b>	<i>"What was satisfying to me as an entrepreneur was the ability to create employment for my fellow community members."</i>
<b>SBO 4</b>	<i>"The rewards included being able to create jobs. The risk was that we invested our own money and did not get it back, especially during the early days."</i>
<b>SBO 5</b>	<i>"At first it used to be money, but now it is not. Currently it's all about making the idea work and that is defining me as an</i>

	<p><i>entrepreneur. The rewards are simply gaining confidence and the risks are more about financial risks because you risk your own personal funds.”</i></p>
<p><b>SBO 6</b></p>	<p><i>“The risk and trade-off as an entrepreneur is that in the process you will lose lots of sleeping time. As a business owner you definitely won’t be able to sleep as much as you used to. Sometimes it is due to being overwhelmed or stressed, but for the most part, it is due to excitement. Often I can’t even sleep over weekends because I always have new ideas and plans popping up in my mind, and that is my greatest risk and trade off.”</i></p> <p><i>“Based on my perspective the rewards that I have gained from being an entrepreneur is that:</i></p> <p><i>To <b>have full control over my destiny.</b> You call the shots and make the decisions that ultimately determine the success or failure of your business. Nobody will get in the way of your vision.</i></p> <p><i>To <b>serve as a role model was personally satisfying for me.</b> As a young entrepreneur from my section in the township, many young people were looking up to me and they saw me as their role model. My success serves as motivation and inspiration for the young kids in my township and I am grateful for that. That is personally more satisfying than the money that I generate from my business.</i></p> <p><i>To <b>experience personal growth.</b> It is a great feeling when you look back and see how much you have grown as an individual. The growth and success of a business are often directly related to the personal growth of the entrepreneur behind it.”</i></p>

**Source:** Compiled by the researcher

- **Interpretation of the results.**

The participants revealed what they deemed personally rewarding and satisfying to them as entrepreneurs. Some of the participants also indicated what they deem as risks and

trade-offs that go along with being an entrepreneur. Each and every participant has different and unique experiences regarding this. One of the participants mentioned that:

*“The rewards included being able to create jobs. The risk was that we invested our own money and did not get it back, especially during the early days.”*

### 3.7.2 Advice for aspiring entrepreneurs

- **Purpose of the question**

The purpose of this question was to find out what advice can the participants suggest to aspiring entrepreneurs.

- **Results obtained.**

The results as obtained from the participants are presented below in table 3.25.

**Table 3.25: Advice towards aspiring entrepreneurs**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<p><i>“What I like is that even if you are uneducated you can still make it in life, I do also tell people do not waste time in drafting a lot of documents, just start and do what you like - you will learn along the way.</i></p> <p><i>Most entrepreneurs are not concerned with tax affairs but it is important to always comply with tax laws. Many entrepreneurs are ignoring this.</i></p> <p><i>The other thing is that most entrepreneurs are confusing the concepts of BBBEE and a sworn affidavit, know the difference between these.</i></p> <p><i>As a start-up, register your business, get your tax affairs in order and register on the CSD. It is very important to acquire outside business, especially from the governmental departments.”</i></p>
<b>SBO 2</b>	<p><i>“The first one is that you must have a passion for your business</i></p>

	<p><i>or project. The second one is that you should have focus, determination and love for what you are doing and you will be able to achieve more.”</i></p>
<b>SBO 3</b>	<p><i>“The first lesson is to have financial discipline. You must be able to distinguish between the business’s money and your personal funds. Do not utilise all the money that you make, you must be able to save some funds as reserve for the business.”</i></p> <p><i>“The second lesson is that an entrepreneur should have good time management skills. Plan your things to enable you to reach what you should reach. We all have 24 hours in a day, utilise it as effectively as possible and do not rush into things.”</i></p> <p><i>“The third one I would say is you must have good personal and people management skills, for instance, if you have employed staff members, treat them with respect and always honour your promises with them. Pay them on time as agreed upon. A happy employee will make miracles for you.”</i></p>
<b>SBO 4</b>	<p><i>“Be determined. Be persistent. You must be able to hang on and never give up.”</i></p>
<b>SBO 5</b>	<p><i>“Do not write a business plan, it’s a waste of time. It’s better to do a business model canvas. Try to prove your concept in all ways, no matter what it takes and at what cost. Be resilient and do not give in and take time to think what the world needs.”</i></p>
<b>SBO 6</b>	<p><i>“Today there are so many new businesses that are popping up and most entrepreneurs see this as a quick road to success. The following three things I deem very valuable lessons for entrepreneurship:</i></p> <ol style="list-style-type: none"> <li><i>1. Understand your industry: Truly, to understand and focus on the industry that you are operating in is a key to having success. Take time to understand your industry and not play games of chopping and changing, even if you see people making money from other ventures.</i></li> </ol>

	<p>2. <i>Take time to understand your customers: Knowing your customers is very important. You must know those that you serve better than anyone else and based on that, you will be able to deliver solutions towards their problems.</i></p> <p>3. <i>Be disciplined: A successful entrepreneur should always focus this/her strength and energy on making the business work and be able to eliminate any distractions or obstacles that come in the way of the goals.</i></p>
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**Source:** Compiled by the researcher

- **Interpretation of the results**

Entrepreneurship is popular right now and before starting a business one needs as much advice as possible. Expert advice from entrepreneurs who are in the current market is valuable to aspiring entrepreneurs. Here follows some advice from participants of this study:

Participant SBO 3 provided the following advice: *“The first lesson is to have financial discipline. You must be able to distinguish between the business’s money and your personal funds. Do not utilise all the money that you make, you must be able to save some funds as reserve for the business.”*

*“The second lesson is that an entrepreneur should have good time management skills. Plan your things to enable you to reach what you should reach. We all have 24 hours in a day, utilise it as effectively as possible and do not rush into things.”*

*“The third one I would say you must have good personal and people management skills, for instance, if you have employed staff members, treat them with respect and always honour your promises with them. Pay them on time as agreed upon. A happy employee will make miracles for you.”*

The participants provided different kinds of advice that each one deemed important and necessary for future entrepreneurs.



### 3.7.3 Who should try to be an entrepreneur and who should not?

- **Purpose of the question**

The purpose of the question was to find out, according to the participants, who should be an entrepreneur and who should not be an entrepreneur.

- **Results obtained**

The results as obtained from the participants are presented below in table 3.26.

**Table 3.26: Who should and shouldn't be an entrepreneur**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>"No one is born as an entrepreneur, but any person can be an entrepreneur as long as his/her mind-set is correct and he/she has time and then that person will be fine."</i>
<b>SBO 2</b>	<i>"Anyone that has a passion for doing this can be an entrepreneur. Anyone can be an entrepreneur at any given time."</i>
<b>SBO 3</b>	<i>"Anyone that has passion and dedication for what they are doing can be an entrepreneur. But those that see entrepreneurship as a way of making quick cash should not try to be an entrepreneur. Entrepreneurship is hard work and not a quick money making machine or mechanism."</i>
<b>SBO 4</b>	<i>"Someone who is able to solve a problem and in solving that problem is able to come up with methods that are sustainable and scalable can become an entrepreneur. If you are able to do that then you can survive."</i>
<b>SBO 5</b>	<i>"If you are not willing to take any risks do not become an entrepreneur. But being reckless and then giving up easily, is a dangerous combination. An entrepreneur is a person that is willing to try at all costs – one that is not perfect but one who is willing to try and explore."</i>

<b>SBO 6</b>	<p><i>“I say that if you have the entrepreneurial spirit then you can be an entrepreneur. If you have the spirit then you will not start a business for money but because that’s what you want to do in life.</i></p> <p><i>If you are willing to learn new things then you can be an entrepreneur. As an entrepreneur you need to learn constantly. Entrepreneurial alertness and seizing of new opportunities are important. Also, if you want to be your own boss then you can consider being an entrepreneur.</i></p> <p><i>Those that should not be an entrepreneur are those people that are not willing to work hard, that are not dedicated and those that see entrepreneurship as a money making scheme.”</i></p>
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**Source:** Compiled by the researcher

- **Interpretation of the results**

Entrepreneurship can be explored by anyone and the participants in this study indeed indicated that anyone can be an entrepreneur. Entrepreneurship requires the correct mind set and enough time available according to participants SBO 1. The other participants revealed some of the characteristics that could produce an entrepreneur. For instance, one of the participants indicated that as long as one has passion and dedication then one will be fine as an entrepreneur. Other participants indicated that *“those that see entrepreneurship as a way of making quick cash, should not try to be an entrepreneur.”*

### **3.7.4 Are there any other questions that you wish I had asked, from which you think I could learn valuable lessons?**

- **Purpose of the question**

The purpose of this question was to acquire some questions that the participants wished I could have asked them from which I could have learned a valuable lesson.

- **Results obtained**

The results as obtained from the participants are presented below in table 3.27.

**Table 3.27: Questions that you wished I had asked**

<b>Participant</b>	<b>Description</b>
<b>SBO 1</b>	<i>“From my side, I think that you have covered everything, there is nothing that I can suggest.”</i>
<b>SBO 2</b>	<i>“I was also expecting these questions: How long did it take for your business to be sustainable?” As an entrepreneur what is your long term future plan?”</i>
<b>SBO 3</b>	<i>“From my side there is nothing that I can add. I think that your guide is detailed and nothing is omitted.”</i>
<b>SBO 4</b>	<i>“Basically from my side there is nothing. I think that you have covered everything.”</i>
<b>SBO 5</b>	<i>“What role does innovation play in developing a new business? We are at a point in our country where entrepreneurship is the in-thing but the only problem is that small businesses do not compete amongst themselves, they are competing against the giants in the industry. So, innovation is the disruptive force to break this monopoly because it is not going to happen by itself and government cannot remove them.  Another question of your study that you can explore is how does one project the success of your business?”</i>
<b>SBO 6</b>	<i>“I was expecting maybe to be asked something like, we as black small business owners, do we belong to any forum or networking club or organisations that are designated purely for small business owners?”</i>

**Source:** Compiled by the researcher

- **Interpretation of the results**

The participants revealed a few questions that they think I should have asked, from which I could have learned a valuable lessons. Participants SBO 1, SBO 3 and SBO 4 did not provide any questions. The remaining participants suggested a couple of questions.

### **3.8 CONCLUSION**

Chapter three provided a discussion of the results as obtained from the empirical study, which addressed the research questions. In the next chapter, the reader will be presented with the conclusions and recommendations based on the findings of this research study.

# CHAPTER 4

## CONCLUSIONS AND RECOMMENDATIONS

### 4.1 INTRODUCTION

The concept of black entrepreneurship and black small business still remains a relative unexplored field of study in South Africa. The purpose of this chapter is to provide a conclusion to the whole study and to provide practical recommendations regarding the study, and this will be followed by a critical evaluation of the study objectives.

The researcher concluded and provided recommendations, however, the researcher recognised that the study was limited to a sample population of six black small business owners situated in the Matlosana Municipality only, so, the results may not necessarily be generalised over the entire population of black small business owners.

### 4.2 CONCLUSION OF THE KEY FINDINGS REGARDING THE EMPIRICAL STUDY

The data was obtained through semi-structured interviews with six black small business owners in the area of the Matlosana Municipality. The following section reflects and provides a summary of the key findings regarding the black small business owners which are operating within the Matlosana Municipality.

The conclusions based on the results of the empirical study are divided into the profile of the entrepreneur, the structure of small black owned businesses, challenges facing black small business during the start-up phase, and during the management phase of the business, and the advice for aspiring and future entrepreneurs.

#### 4.2.1 The results of the profile of the entrepreneur

The ages of black small business owners who participated in this study are between 21 and 38 years. The study further reveals that one owner was 21 years old. Only two of the participants were between the age of 30 and 38 years. The majority of the participants were in their twenties. The study further revealed that in terms of education that the

majority of these participants have matric and post matric qualifications, it is only one participant that does not have a matric qualification.

#### **4.2.2 Structure of the business results**

The study mainly focused on black small owned businesses of the Matlosana municipality who are operating in different industries such as construction, ITC, food and beverage, general supply and consulting, as well as the petroleum and oil industry. The legal status of the participating businesses is mainly reserved to close corporations. The small business black owners who participated in this study have had their businesses operating between one and 7 years. The study further revealed that black small businesses are indeed creating employment for the local community members which is addressing the objective of employment creation. The participants within this study indicated that they have employed between two and six employees and the majority of the black small owned businesses are operating within the formal sectors and their businesses are currently registered under the company registration authorities. It is only one black small business owner who is operating in the informal sector – his business has been in operation for four years and yet, it is not registered.

#### **4.2.3 Challenges during the business setup results**

The small business owners who participated in the study revealed that they experienced a few challenges during the setup of the businesses. Most of the participants identified financial challenges as a huge obstacle during the initial stages. Other identified challenges were limited resources, suitable pricing strategies, lack of managerial skills, lack of awareness and negative perceptions. Different authors and researchers commented on the struggles and failures in the small business sector.

#### **4.2.4 Challenges experienced during the management of the business**

The participating small black business owners also mentioned their current challenges which they experienced during the management phase of their businesses. Challenges such as regulatory burdens, maintaining reputation and structural challenges.

#### **4.2.5 Results of support or training needs**

The majority of the small black business owners in the Matlosana area that participated in this study indicated that they require some sort of skills training and support from either the Municipality, or any other government authority, or the private sector. These owners indicated that in general, there is a need for them to acquire training and support in the following areas:

- Financial skills and support.
- Strategies on how to network with other business owners.
- Presentation skills.
- Support and training regarding pricing strategies.
- Marketing skills.
- Skills and support on how to deal and handle regulatory and compliance issues.

#### **4.2.6 Advice to aspiring entrepreneurs**

Entrepreneurship is prominent now and before starting a business, one needs to adhere to advice. Entrepreneurial advice from experts is crucial for the upcoming and aspiring entrepreneurs. Below are some points of advice that was compiled from the answers of the participants of this study:

- Understand the industry in which the business is operating. Do not make changes on a whim or because of the influences of other people's fleeting successes. Focus on your own field.
- Take time to understand your customers: Knowing your customers is very important. You should know those that you serve better than anyone else, and based on that, you will be able to deliver solutions for their problems.
- Be disciplined: A successful entrepreneur should always focus his/her strength and energy on making the business work and be able to eliminate any distractions or obstacles that might come in the way of the goals.
- Try to prove your concept in all ways no matter what it takes and at what cost.
- As an entrepreneur, you should be determined and persistent.
- Be humble but confident in what you know.

- Be prepared to sacrifice your income and also be prepared to fail.
- Never stop networking.

### **4.3 RECOMMENDATIONS**

The following section is to provide practical recommendations regarding the study as outlined in the secondary objectives.

#### **4.3.1 Recommendations and insights from the researcher's perspective, based on the empirical study:**

- An entrepreneur is regarded as someone who is able to start and create something, using minimum available resources. Before approaching the government, other stakeholders or the private institutions for support and assistance, it would be essential for the entrepreneur to first try and empower him/herself before going to an institution.
- The researcher would also like to suggest that there should be a forum established in the Matlosana area with the main aim to focus on the small black business owners – they can use this forum as a platform for various objectives. Black entrepreneurs should develop their own network skills and also develop business networks within the internal and external business environment in and outside the borders of the Matlosana region.
- The researcher also suggests that black entrepreneurs should start engaging in intensive continuous business research. They should also attend private and/or public programmes such as business seminars and workshops, as arranged by both the government and private institutions.
- Black entrepreneurs should invest in mentors and consultants for advice and coaching skills, they should also look for suitable role models to provide personal, entrepreneurial and business support. They should also speak to big industry owners and managers of big businesses just to seek advice from them and to broaden knowledge regarding the industry in which they are operating.



- The researcher would also recommend that black entrepreneurs should not focus on issues of the past such as discrimination and apartheid, but rather on identifying weaknesses and to find innovative ways in which they could make use of the strengths and support of white people, while still controlling their own destinies.
- The Matlosana Municipality and other governmental institutions should promote education and training for the local entrepreneurs, especially the previously disadvantaged groups.
- The Matlosana municipality, government institutions and the private sector should encourage small black entrepreneurs to take part in industry which were previously perceived as white dominations, i.e. the mining, engineering and construction industry.
- The Municipality should encourage local entrepreneurs to do a course in business management. This will assist the entrepreneurs in improving their business management skills and other skills that are required to run a business successfully.
- The municipalities and other local stakeholders should offer financial assistance to the black entrepreneurs who want to further their studies in business management. Where possible, the municipality and other stakeholders should be willing to carry the cost of training and the developing of the black entrepreneurs in the Matlosana region. It is important that the municipality supports black entrepreneurs to deal with the imbalances and suppression of the past.

#### **4.3.2 Strategies on how to minimize or overcome the challenges faced by black small business owners**

The owning and running of a business pose challenges. The following strategies are recommended with which black small business owners could minimise or overcome the challenges. This can also serve as advice on how to deal with these challenges.

**Table 4.1: Strategies on how to minimize or overcome the challenges faced by black small business owners**

Challenges	Strategy on how to minimize or how to overcome the challenge
1. Cash flow problems	<ul style="list-style-type: none"> <li>• Hiring an accountant to do your books is always the best option, but a small business sometimes cannot afford this service. It is therefore important that you as the owner or entrepreneur should keep record and track of every transaction, develop a simple forecasting method and keep strictly to it as this can help you save your business.</li> <li>• Make use of technological software for the tracking of invoices and payments, the creation of invoices and managing cash flows and so on. This kind of software can warn you in terms of due dates and updates on payments.</li> <li>• Require a down payment every time you receive an order.</li> <li>• By utilising an effective and correct business strategy you can overcome cash flow problems.</li> </ul>
2. Finding and retaining customers	<ul style="list-style-type: none"> <li>• Finding and retaining customers is critical for any kind of business planning to survive. The best possible way to find new customers is to offer unique products and services that would satisfy their needs.</li> <li>• Identify and take time to know your target market and conduct intensive market research.</li> <li>• Marketing is very important therefore, choose popular platforms such as the local newspaper and local radio station, to advertise your business.</li> <li>• Make use of the word of mouth marketing strategy - ask your current customers to recommend and refer other potential customers to your business, because a happy customer is the best marketing</li> </ul>

	<p>tool to be found.</p> <ul style="list-style-type: none"> <li>• Retain your customers by providing excellent professional products and services that are cost effective.</li> <li>• Offer exceptional customer services, ask your customers for feedback to see how they feel about your business. Whether it is positive or negative, always listen and respond to your customers.</li> <li>• Develop a strategy on how to address and communicate with your customers.</li> <li>• Develop or create your own buyers' persona template, this template will assist you to grow your customer base.</li> </ul>
<p>3. Regulatory Issues</p>	<ul style="list-style-type: none"> <li>• Small business owners should familiarise themselves with all related legislations and frameworks to ensure compliance with them.</li> <li>• There are currently governmental support programmes and institutions that are providing assistance regarding these issues. It is essential for entrepreneurs to make use of these institutions.</li> </ul>
<p>4. Time Management</p>	<p>Time management is very important; you should be able to make time to meet your commitments. How can entrepreneurs overcome time management as a challenge?</p> <ul style="list-style-type: none"> <li>• Firstly, focus on top priorities: one would not be able to do everything at once, so clearly establish priorities and focus on those first.</li> <li>• Identify and prioritise initiatives that are aligned with your overall business goals, plan a significant impact, and organise good payback.</li> <li>• Secondly, build a great team. Having a good team will assist in receiving input and support</li> </ul>

	from employees.
5. Capital or financial challenges	<p>Initially all industries/businesses are dealing with capital and financial problems. Entrepreneurs can overcome this challenge by doing the following:</p> <ul style="list-style-type: none"> <li>• Be aware of micro-finance institutions that would be willing to partner with you.</li> <li>• The drafting of a funding proposal or a business plan makes it easier for the lenders to borrow or provide financial assistance.</li> </ul>
6. Lack of Structure	<ul style="list-style-type: none"> <li>• As an established business, develop a well-defined company structure indicating the responsibility of each person in the business.</li> </ul>
7. Negative perception	<p>As an entrepreneur you can overcome this challenge by doing the following:</p> <ul style="list-style-type: none"> <li>• Create a strong support network.</li> <li>• Surround yourself with friends, family and mentors who would be supportive during hard times. This can prevent feelings of isolation.</li> <li>• Disassociate negative perceptions of yourself.</li> </ul>
8. Staff capacity / Incapacitated staff	<ul style="list-style-type: none"> <li>• Provide training and other support that would maximise employee skills and optimise performance.</li> </ul>
9. Pricing	<p>One of the biggest challenges for any business is pricing – setting the right price:</p> <p>As an entrepreneur you can do the following to address this challenge:</p> <ul style="list-style-type: none"> <li>• Understand the difference between margin and mark-up. Margin is always based on sales price. Mark-up is always based on cost.</li> <li>• Find out what competitors are charging and try to align yourself with them.</li> </ul>

**Source:** Compiled by the researcher

### **4.3.3 General recommendations**

Whenever the authorities and the national government develop strategies to enhance entrepreneurship and small businesses, especially those that are owned by black entrepreneurs, they should not only have a national perspective in mind, but they should focus clearly and specifically on black entrepreneurs at regional, rural and municipalities' level. It is very critical that when government develop policies it should also focus on encouraging the adoption of an entrepreneurial cultural spirit, especially amongst the previous disadvantaged communities and particularly, the youths in general, as they are our future entrepreneurs.

In order to address the financial challenge that is confronting entrepreneurship, it is imperative for the South African government to acknowledge the importance of entrepreneurship to the South African economy, as well as giving them the financial support that they need in order to prosper.

According to Gangata and Matavire (2013), the government needs to play an active role in enabling entrepreneurs to obtain funds at affordable interest rates, for example, by reducing the rates charged by financial institutions or creating special funds, which can be accessed by entrepreneurs without too much red tape.

Nyanga (2013) also explained that it is imperative for the local government and financial institutions to come forward to help the entrepreneurs to have easy access to loans.

## **4.4 THE CRITICAL EVALUATION OF THE STUDY**

The achievement and success of this research study is based on the realisation of the primary and secondary objectives as outlined in chapter 1 of this study.

### **4.4.1 Primary objective**

The primary research objective for this study is to explore black owned small businesses in the Matlosana Municipality with the aim of identifying the challenges faced by black entrepreneurs during the starting phase of the business and during the management of the business, and to identify the specific required training needs.

The achievement and success of the primary objectives were based upon the realisation of the secondary objectives.

#### **4.4.2 Secondary objectives**

In order to achieve the primary objective of this study, the following secondary objectives were formulated:

By means of a literature study on previous research, the following secondary objectives were achieved:

- To define entrepreneurship
- To examine the concept black entrepreneurs and entrepreneurship
- To gain insight into small, medium and micro-sized enterprises through conducting a literature review
- To obtain insight on the challenges faced by SMMEs and black entrepreneurs.

By means of an empirical study, the following secondary objectives were achieved:

- To explore and identify the challenges experienced during the setup phase of the business.
- To explore and identify the skills and attributes that an entrepreneur should possess to be successful.
- To identify the support and training needs required in managing the business.
- To identify the challenges experienced during the management of the business.

The following secondary objectives served as the conclusion and recommendation objectives:

- To suggest practical recommendations on how to address the needs or support for black entrepreneurs and how to minimize the challenges faced by them.
- To draw conclusions and offer recommendations based on the findings of this study.

The first secondary objective, which was to define entrepreneurship, had been achieved through providing a definition of entrepreneurship as outlined in chapter 2.

The second secondary objective, which was to examine the concept of black entrepreneurs and entrepreneurship, had been achieved through conducting a literature study as indicated in chapter 2.

The third secondary objective, which was to gain insight into small, medium and micro-sized enterprises through conducting a literature review, was achieved in chapter 2 as outlined in the section of the study which covered an overview of the small, medium and micro-sized enterprises.

The fourth secondary objective, which was to obtain insight on the challenges faced by SMMEs and black entrepreneurs was achieved through the literature review in chapter 2.

The fifth secondary objective, which was to explore and identify the challenges experienced during the start-up phase of the business, was achieved through the conducting of the empirical study as it was discussed in chapter 3.

The sixth secondary objective, which was to explore and identify the skills and attributes that an entrepreneur should possess to be successful, had been achieved based on the detailed empirical study which was discussed in detail in chapter 3.

The seventh secondary objective, which was to identify the support and training needs required in managing the business, was achieved through a detailed empirical study which was discussed in detail in chapter 3.

The eighth secondary objective, which was to identify the challenges experienced during management of the business, was realised through the detailed empirical research as discussed in chapter 3.

The last two secondary objectives were achieved through the results obtained during the empirical research as discussed in chapter 3 and concluded in chapter 4. The results of this empirical research have led to the development of practical recommendations as presented in the concluding chapter.

Based on the achievement of the above indicated secondary objectives, it is therefore concluded that the primary objectives were reached. They are, to explore black owned small businesses in the Matlosana Municipality with the aim of identifying the challenges faced by black entrepreneur during the starting phase and the management phase of the business and to identify the specific training needs.

#### **4.5 SUGGESTED FUTURE RESEARCH**

Future and further research are required regarding black owned small businesses and the concept black entrepreneurship. There is currently limited research regarding this concept.

This study therefore suggests that the following research topics regarding black owned small businesses and black entrepreneurship in South Africa can be investigated further in the future:

- The effectiveness of government initiatives to support black owned small businesses.
- The development of an entrepreneurial spirit amongst the black population.
- The development of strategies for growth amongst black owned small businesses.
- Financing of black-owned businesses.
- Exploring the role of SMMEs in terms of addressing the unemployment challenge.
- A study regarding successful and unsuccessful black entrepreneurs.
- Difficulties experienced by black entrepreneurs in obtaining training and assistance from SEDA.
- How does the level of education affect the performance of black entrepreneurs?
- The role of the municipality's youth desk in terms of entrepreneurial empowerment.
- The importance of supporting local black owned small businesses.



## 4.6 THE IMPORTANCE OF SUPPORTING BLACK OWNED SMALL BUSINESSES

Supporting black owned small businesses is of critical importance and this can advance progress and circulate wealth in the black community. When black businesses thrive, they could create sustainability and prosperity within the community.

The black population has strength in numbers and if they could unite to support one another, there could be a tremendous impact on their surrounding communities.

### 4.6.1 Actions that we can take to support black owned small businesses

Action	Description
1. Put Black-owned businesses at the top of your list	<p>Instead of buying with from a well-known, popular brand, break this habit and go out of your way to seek a black-owned business.</p> <p>This will push you to discover new businesses of which you might not have been aware previously. This will challenge you to move beyond your familiar scope of services and business providers.</p>
2. Do not automatically expect or demand a discount.	<p>Within the mind-set of local consumers, we are willing to spend more money when buying popular brands, but we find it difficult to do the same when we are about to support the local small black owned businesses. We are doing this because we think that the well-known brand products are priced appropriately and it is worth every cent.</p> <p>We need to have these same sentiments, belief, trust and respect towards small black owned businesses.</p> <p>This means that we need to give this small black owned business a chance, and we</p>

	<p>should not expect a discount from them.</p> <p>This small black business owner invests countless hours and they are working hard just like the more popular companies and they deserve equal dignity and respect.</p>
3. Go the extra mile	<p>Most of the small black businesses are not ideally located in different places and most of them are not franchises. This means that the consumer needs to go an extra mile and time to find them. Do not let this journey deter you.</p>
4. Know where to find them.	<p>A well-known excuse for not supporting small black owned businesses, is not knowing from where they are operating. Use your electronic device to search for them.</p>

**Source:** Compiled by the researcher

#### **4.6.2 Reasons why we should support black owned small businesses**

- The profits from their spending help to build and improve the community in which we live.
- These small businesses are creating employment for our local people.
- Black people can never solve their economic problems while sending all of their money out of the community as quickly as they earn it.
- Black owned small businesses cannot succeed without the help and support from the black population within their surroundings.
- The race who does not build is always controlled by those who do.
- The future of the black race will not be built on what we make others do for us, but instead on what we do for ourselves.
- In conclusion, remember that when you direct your spending power to support the small black owned businesses in your community, you are making a huge

difference in your community by assisting in supporting black communities and black families.

#### **4.7 CONCLUSION**

The overall idea and purpose of this chapter is to provide a conclusion to the empirical study. The study was conducted in the area of the Matlosana Municipality.

The empirical study research was fully analysed and discussed and also the empirical study provided direction which assisted the researcher to formulate recommendations to enhance black owned small businesses in the Matlosana Municipality area. The research study was then followed by a critical evaluation to determine whether the research objectives were achieved. The realisation of the study was tested against the outcomes achieved in the study. In conclusion, the researcher provided some suggestion for further research topics to be explored.

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# APPENDIX A

## INFORMED CONSENT TO PARTICIPATE IN AN INTERVIEW

**To:** Potential interview participant

**From:** Mr B W Moabi

**Subject:** Informed consent to participate in study

Date: \_\_\_\_\_

Dear: \_\_\_\_\_

My name is Bongane W. Moabi and I am an MBA student at the NWU Business School, North-West University. The aim of this study is explore black owned small businesses in the Matlosana Municipality

This study forms part of a mini dissertation to be submitted in partial fulfilment of the requirements for the degree in Master in Business Administration at the North-West University. It is an internationally accredited degree that requires adherence to strict ethical standards as a prerequisite to conduct this research.

Thank you for your willingness to participate in the interview. Your participation is voluntary. You do not have to answer any questions you do not want to answer. If at any time you do not want to continue with the interview, you may decline. Your time and involvement is profoundly appreciated. The entire interview will take approximately 30 minutes. To maintain the essence of your words for the research, I will record the information. At any time, you may request to see or hear the information I collected.

The interview will be voice-recorded, however, your name will not be recorded. The interviewer will take notes. This is done for data analysis. The recording will be transcribed by the interviewer and kept confidential in a password-protected computer. All individual identification will be removed from the hard copy of the transcript. Participant identity and confidentiality will be concealed using coding procedures. Please note that excerpts from the interview may be included in the final dissertation report or other later publications. However, under no circumstances will your name or identifying characteristics appear in these writings. Limited biographic information will be collected with the purpose to form a profile of the participants, but will not be used to make comparisons between groups or for further statistical analyses. If, at a subsequent date, biographical data were relevant to a publication, a separate release form would be sent to you.

Your input is of great value to this research and I appreciate your help in providing this information. I would be grateful if you would sign this form on the line provided below to show that you have read and agree with the contents.

---

Your signature above

The study has been approved by the Scientific Committee of the NWU Business School. The Chair of the Scientific Committee is Prof Joseph Lekunze. He can be reached at 018 389 2235 and his email address is [joseph.lekunze@nwu.ac.za](mailto:joseph.lekunze@nwu.ac.za).

Ethical clearance has been obtained by the Faculty of Economic and Management Sciences Ethics Committee (FEMSREC) and the ethical clearance number is allocated. The Chair of the Ethical Committee is Prof Bennie Linde. He can be reached at 018 299 1427 and his e-mail address is [bennie.linde@nwu.ac.za](mailto:bennie.linde@nwu.ac.za).

The supervisor of the dissertation is Prof Stephan van der Merwe. He can be reached at 018 299 1414 (Email address: [Stephan.VanDerMerwe@nwu.ac.za](mailto:Stephan.VanDerMerwe@nwu.ac.za)) for further questions or concerns about the research project.

Yours sincerely

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# APPENDIX B

## INTERVIEW GUIDE

### **Title: Exploring black owned small businesses in the Matlosana Municipality**

The interview that we are about to conduct seeks to explore black owned small businesses in the Matlosana Municipality

#### **Section A:**

**Please take note that the following questions under section A is not forming part of the actual interview but are required to build a profile for the entrepreneur. This part will not be used to conduct statistical analyses or to make comparisons between groups.**

#### **Profile of the entrepreneur:**

1. How old are you?
2. What is your educational background or qualifications?
3. Tell me as much as you can about your background (i.e. entrepreneurial ventures, employment, and family situation).

#### **Structure of the business**

1. Where is the business operating from (CBD, township, industrial area)?
2. How many people are employed by the business?
3. In which industry is the business operating in?
4. Do you consider the business operating in the informal or formal sector? Please explain.
5. When was the business established? (Number of years in operation)?

#### **Section B: Interview questions**

**The following questions under section B are forming part of the interview with the aim of addressing the different objectives of the study.**

#### **Theme 1: Before start-up**

1. Whom else did you know while you **were growing** up who had started or owned a business? How did they influence you?
2. Whom else did you know **after school** who had started or owned a business? How did they influence you?
3. Were your parents, relatives, or close friends **entrepreneurial**? Explain.
4. Did you have **role models**? If yes, share with me their influence on you.

5. What was your key driving force to become an entrepreneur?

### **Theme 2: During start-up**

1. How did you spot the opportunity to start your business? How did it surface?
2. How did you evaluate the opportunity to make sure that the business will have a good chance to succeed (feasibility study, business plan, broad ideas)? Please explain the processes that you followed.
3. How much capital did it take? How did you source the capital?
4. What challenges have you experienced during the start-up phase of the business?
5. What outside help did you get during the start-up of your business (i.e. advisors, consultants, the Dti)?

### **Theme 3: Managing the business**

1. What challenges are you experiencing in the management of the business? Please elaborate on these challenges.
2. How do you define success?
3. What skills or attributes should an entrepreneur possess to be successful?
4. Did you spend more time, the same amount of time, or less time with the business now than in the early days?
5. What are your support or training needs? Please elaborate on this.

### **Concluding questions**

1. What things do you find personally rewarding and satisfying as an entrepreneur? What have been the rewards, risks and trade-offs?
2. What advice would you give to an aspiring entrepreneur? Could you suggest the three most important lessons that you have learned?
3. Who should try to be an entrepreneur? And who should not?
4. Are there any other questions that you wish I had asked; from which you think I could learn valuable lessons?

**Thank you kindly for your time and participation, it is greatly appreciated.**

**This brings us to the end of the interview.**