

THE EVALUATION OF THE SKILLS OF INFORMAL ENTREPRENEURS IN THE GOLDFIELDS

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ABSTRACT

The study is based on the evaluation of skills of informal entrepreneurs in the Goldfields.

The purpose of the study is to have a clear understanding of the current skills of entrepreneurs in the informal sector of the Goldfields. By means of investigation, appropriate advice and recommendations can be made to e.g. local government and SEDA in the Goldfields regarding future training and learnerships for this sector. The researcher is also interested in developing a skills programme, in conjunction with SEDA, for informal entrepreneurs to help them be more successful in their businesses.

Another purpose of this study is to make the public aware of the lack of skills in the entrepreneurial, informal sector of South Africa. Training is of immense importance, as most of these entrepreneurs are sole providers and use their small incomes to provide for big families. Acknowledgement of the lack of skill will be the first step in creating a better future for many South Africans.

The empirical research conducted in the Goldfields was done in order to assess the informal entrepreneurial picture in the Goldfields and to establish whether development of entrepreneurs in the informal sector exist or is taken place in the local district municipalities where local entrepreneurs operate their business activities.

DEDICATION

I dedicate this to the memory of my beloved late grandmother, Agnes Lubbe (1922 – 2007), who showed me how to live life to the full.

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First of all, I would like to thank my Creator for giving me strength, courage, persistence and many miracles through the challenges of my MBA studies.

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

South Africa needs change to maintain and sustain its economic competitive advantage in the 21st century. South Africans need to learn more about entrepreneurship to be able to provide for their families and contribute to the current economic situation in the new millennium. Small businesses, not only in South Africa, but globally, will have to think or act and perform in more entrepreneurial ways or they will be replaced by competitors and upstarts.

According to Longenecker, Moore and Petty (2000: 3), entrepreneurs are the creators, innovators and leaders that give back to society and spark economic growth. Building an entrepreneurial society for the 21st century and beyond is the highest priority for the present generation.

South Africa is characterised by extensive informal sector markets concentrated largely at transport interchanges where trains, taxis and/or busses assemble for commuter movement. As these informal entrepreneurs involve a major percentage of the South African economy, the following questions are important to be asked:

- Are these people 'necessity entrepreneurs' entering the business world to escape from poverty and unemployment, or are they 'opportunity entrepreneurs' seizing lucrative business opportunities?
- Can these large informal business markets with thousands of businesses be regarded as entrepreneurial incubators, or are they mere reservoirs of survivalist businesses?
- Do these informal sector entrepreneurs have the necessary skills to make profit and contribute to the South African economy?

Answers to these questions may inform a strategy to deal with the informal sector sprawl in South African cities.

1.2 PROBLEM STATEMENT

South Africa is earmarked by high levels of unemployment. The indisputable relationship between unemployment, poverty and crime suggests that major interventions should be put in place to evaluate the situation.

The lack of skills in the informal sector is a major problem in South Africa. Many entrepreneurs are survivalists and need to start making profit in their businesses so that they can better provide for their families and contribute to the South African economy. In order to achieve sustainable growth and address the economic development challenges, more and more entrepreneurs are needed to enhance the informal small business sector.

There are many informal entrepreneurs in the Goldfields. These informal businesses are in many cases the only form of family income. The question remains that of whether these entrepreneurs have the necessary skills to run their businesses in a successful and profitable manner.

The need therefore exist to evaluate the current entrepreneurial skills available in the informal sector of the Goldfields. It is therefore important that such a study be conducted to develop a clear understanding of the available skills levels and to make recommendations for the future regarding entrepreneurial training in these sectors.

1.3 OBJECTIVES OF THE STUDY

1.3.1 Main objective

The main objective of this study was to evaluate the current basic entrepreneurial skills available in the informal sector of the Goldfields. Theoretical research was conducted to determine the basic skills needed to be successful entrepreneurs. The results were then compared with the current skills of informal entrepreneurs in the Goldfields.

The results of the research were then combined with recommendations regarding necessary entrepreneurial skills needed. People need to be educated in the correct subjects to raise their confidence to run their businesses more effectively.

More research regarding training programmes and negotiations with SEDA and local government could result in training initiatives for the informal entrepreneurs of the Goldfields.

1.3.2 Sub objectives

In order to achieve the main objective, the following subsequent sub objectives were formulated:

- To determine the basic entrepreneurial skills needed to be successful, as well as characteristics of entrepreneurs and production factors needed by means of a theoretical study.
- To evaluate the basic entrepreneurial skills of entrepreneurs in the informal sector of the Goldfields by means of interviews and questionnaires.
- To offer conclusions and recommendations, drawn from the attained results, regarding the current entrepreneurial skills and the lack thereof as well as any other problems hampering entrepreneurs in their businesses.
- To present research results to SEDA and local government to attain help in the form of training initiatives for the informal entrepreneurs in the Goldfields.

1.4 SCOPE OF THE STUDY

1.4.1 Field of study

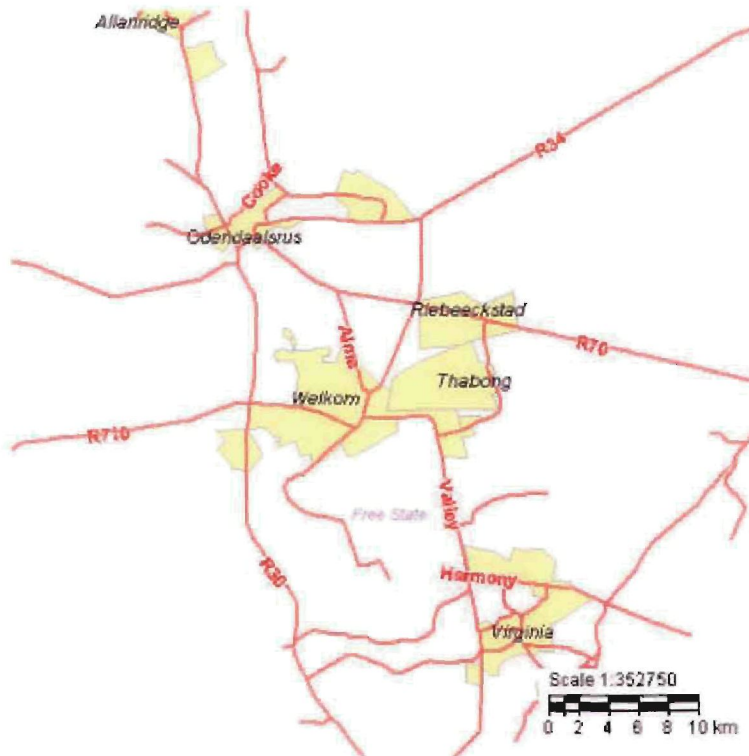
The scope of the study is informal entrepreneurship in the Goldfields Region. According to Moolman (1998: 27), the value of small businesses towards the enhancement of entrepreneurship, employment and economic prosperity is known for decades, and obtained more momentum from the mid-nineties. The study concentrated on the various skills, amongst other factors, necessary for entrepreneurs to enhance their small businesses.

1.4.2 Geographic boundaries

The research was done in the Goldfields. Figure 1.1 presents the geographical regions of the Goldfields: Welkom, Odendaalsrus, Hennenman, Virginia, Allanridge, Thabong, Meloding and Kutlwanong. All of these eight areas were visited personally by the researcher and a questionnaire was explained to each participant.

The participant percentages assigned to each region which shows the geographical area of the Goldfields included in this study, is discussed in Chapter 3. The researcher made use of a translator to make the questions clear and understandable to the participants. All questionnaires were collected by the researcher. The process consisted of at least one day at each respective site.

Figure 1.1 Geographical map of the Goldfields



Source: <http://goldfieldsmap.co.za>

1.5 RESEARCH METHODOLOGY

According to Neuwman (1997: 1), research is a way of going about finding answers to questions or, according to Welman and Kruger (1999: 2), the process in which scientific methods are used to expand knowledge in a particular field of study. Social research is to find out something new and original about the social world. Researchers combine theory and ideas with facts in a systematic way by also using their imagination and creativity (Neuwman, 1997: 2).

In pursuing the mentioned objectives to the study, two approaches will be used, namely a literature review and an empirical study.

1.5.1 Literature review

A literature review is most often associated with science-oriented literature, such as a thesis. The literature review usually precedes a research proposal, methodology and results section. The ultimate goal is to bring the reader up to date with current literature on a topic and forms the basis for another goal, such as the justification for future research in this area.

A good literature review is characterised by: a logical flow of ideas; current and relevant references with consistent, appropriate referencing style; proper use of terminology; and an unbiased and comprehensive view of the previous research on the topic ([http://en.wikipedia.org/wiki/Literature review](http://en.wikipedia.org/wiki/Literature_review)).

The literature review of this study will build a framework of literature where the skills needed to be successful in the informal entrepreneurial sector are identified. This will assist in the empirical study. The literature review will be conducted on skills and characteristics of successful entrepreneurs, the entrepreneurial process and production factors. The literature review provides a survey of the literature pertinent to the study to give a clear understanding of entrepreneurship in the informal sector. The literature especially examines the necessary skills needed for the informal entrepreneur to be successful and sustainable.

The Harvard method, as subscribed by the International Standards Organisation, was used in this study. This method is widely accepted as a good reference style. The function of the Harvard method is to let the reader of the study know whose ideas are being used, to help the reader to check the given information and to provide information to the reader regarding the author or date of publication. ([http://general.rau.ac.za/library/bibweb/html/Reference Techniques.pdf](http://general.rau.ac.za/library/bibweb/html/Reference_Techniques.pdf)).

1.5.2 Empirical data

The empirical research was done through the analysis of quantitative data. The questionnaire and interviews were compiled by the author and was in line with the research objectives. Care was given to the content of the questionnaire in terms of non-ambiguity, relevance, general validity and interpretation. The following matters form part of the empirical study:

- Convenience sampling was used. A convenience sample is a sample where the participants are selected, in part or in whole, at the convenience of the researcher. The researcher needs to insure that this sample is an accurate representation of some larger group or population (<http://childrens-mercy.org/stats/definitions/convenience/htm>).
- The sample consisted of 30 participants in the Goldfields region.
- A questionnaire was designed to determine the available entrepreneurial skills in the Goldfields.
- The questionnaire was combined with an interview in which all difficult terms were explained to the participants.

1.6 QUESTIONNAIRES

Considering the general level of literacy, questions were compiled as simple and clear as possible. Clear wording and simple sentence construction was used and jargon was avoided. The design and compilation of questionnaires was a time consuming practice. This involved trial and error when arranging and selecting questions to achieve the desired information from the respondents.

1.6.1 Data gathering

Data was gathered by means of a questionnaire combined with an interview. Information was explained by a translator in the home language of the participant.

1.6.2 Constructing the questionnaire

The questionnaire was developed by the researcher after interviews with potential participants. The educational level of the participants was taken into consideration.

1.6.3 Structuring of the questionnaire

The questionnaire is on a very low level, as most of the informal entrepreneurs in the Goldfields have very little formal education. The questionnaire contains the following sections in order to gather information about the research topic:

Section A: Demographic information regarding the profile of the business owner, as well as the profile of the informal business.

Section B: Skills needed for the running of an informal small business.

1.6.4 Distribution of the questionnaires

Questionnaires were distributed to entrepreneurs in the Goldfields region in such a matter that all areas were represented.

1.6.5 Editing and recording of data

Data was recorded and interpreted by the researcher to present the reader with conclusions and recommendations.

1.6.6 Analysis of the data

Analysis of the data was done by the author and represented in graph format to make the results more visually pleasant.

1.6.7 Conclusion and recommendations

Conclusions and recommendations were given after information was gathered from the respondents by means of interviews and questionnaires.

1.7 LIMITATIONS OF THE STUDY

Manny limitations can hamper research regarding this study. These limitations are important to keep in mind as it may have an effect on research results. The limitations of this study have to be taken into consideration when the results and conclusions of this mini-dissertation are applied to informal entrepreneurs in a broad sense.

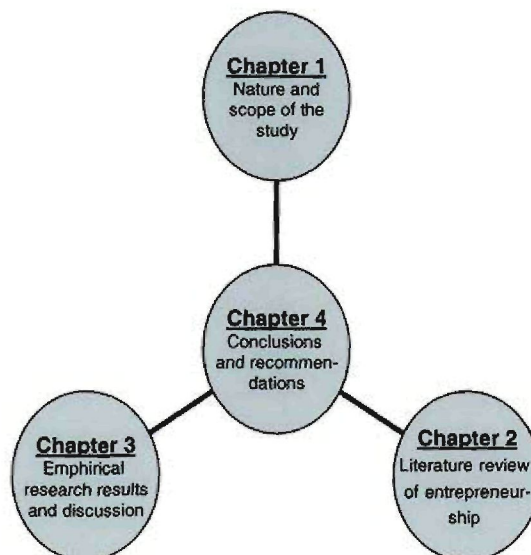
- The study is only focussed on a specific geographical area, the Goldfields. This is a limitation in the sense that findings of the study cannot be taken as a general representation of entrepreneurs in the informal sector within South Africa.
- The fact that some of the street vendors are illegal immigrants could create problems when filling in questionnaires.
- The language barrier is a limitation that can be overcome by means of a translator.

- The fact that research must be done in townships can create a safety problem for the researcher.
- People may be suspicious regarding the aim of the research.

1.8 LAYOUT OF THE STUDY

The study is divided into four chapters. The chapter layout is presented in figure 1.2.

Figure 1.2 Study layout



Chapter 1 contains the nature and scope of the study. Specific topics covered in this chapter include an introduction, the problem statement, the objective of the study, which entails the main- and sub-objective. The scope of the study, including the field of study and the geographical boundaries is then discussed. The research methodology, questionnaire and limitations also form part of chapter 1. The chapter ends with a layout of the study.

Chapter 2 consists of a comprehensive literature study, which looks at the important characteristics and skills of entrepreneurs in the informal sector. Topics discussed include definitions of the entrepreneur and entrepreneurship, different types of entrepreneurs and myths regarding entrepreneurship. The skills required by successful entrepreneurs are then discussed, as well as the entrepreneurial process. The production factors end this chapter, just before the summary.

Chapter 3 conducts an empirical study among informal entrepreneurs in the Goldfields by means of interviews and questionnaires to get a clear picture of the current skill situation amongst entrepreneurs in the informal sector of the Goldfields.

Chapter 4 gives the conclusions and recommendations on the research findings from the interviews and questionnaires. This chapter also gives a possible solution to the entrepreneurial skills lack in the Goldfields region.

CHAPTER 2

LITERATURE REVIEW OF ENTREPRENEURSHIP

2.1 INTRODUCTION

Entrepreneurship is an important determining factor in the creation and development of economic wealth in a society. The enhancement of small businesses in the informal sector is almost exclusively dependent on the identification of the development of entrepreneurial skills.

Entrepreneurship is creating and building something of value from practically nothing. That is, entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled. Entrepreneurship involves the definition, creation, and distribution of value and benefits to individuals, groups, organizations, and society. Entrepreneurship is very rarely a get-rich-quick proposition; rather it is one of building long-term value and durable cash flow streams (Nieuwenhuizen, Le Roux & Jacobs, 2005: 3).

Today, entrepreneurship has evolved beyond the classic start-up notion to include companies and organizations of all types, in all stages. Thus, entrepreneurship can occur, and fail to occur, in firms that are old and new, small and large, fast and slow growing. An entrepreneur thus has to have certain entrepreneurial skills to effectively run his business.

An entrepreneurial business enterprise is created as a result of a need in the market for a product or service. An entrepreneur is a person who identifies the need and develops a method of meeting the need. The method usually leads to the creation or expansion of a small business enterprise.

The aim of this literature study is to correctly define entrepreneurship and the entrepreneur as well as determining skills and characteristics, among other things, that will help entrepreneurs to be successful.

2.2 DEFINITIONS

Kambikambi (2003: 10) states that in order to minimize ambiguity of words and concepts used in the literature review, it is important that these words and concepts are defined correctly as words mean different things to different people.

2.2.1 Entrepreneurship

Entrepreneurship is a well known description for self employment and the ability to start a business. When we look deeper into this term, we will find a much broader explanation. There is however, not just one clear definition regarding entrepreneurship. An attempt will therefore be made to clarify the concept and nature of entrepreneurship.

Hisrich, Peters and Shepherd (2008: 14) define entrepreneurship by stating that the role of entrepreneurship in economic development involves more than just increasing per capita output and income. It involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output, which allows more wealth to be divided by the various participants.

Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced. Entrepreneurship results in the creation, enhancement, realization, and renewal of value, not just for owners, but for all participants and stakeholders (Timmons & Spinelli, 2007:47).

According to Le Roux, De Beer, Ferreira, Hubner, Jacobs, Kritzinger, Labuschagne, Stapelberg and Venter (2004: 295), there are three main components of the definition of entrepreneurship:

- First, entrepreneurship is brought about by individuals on their own or inside organizations, and not by enterprises.
- Secondly, the behaviour that individuals portray is the pursuit of opportunities. The term “opportunity” can be defined as a “future situation which is deemed desirable and feasible” (Stevenson & Jarillo, 1990: 23).
- Thirdly, the definition describes the kind of opportunities that are truly entrepreneurial. These opportunities are those pursued without regard to the resources they (the entrepreneurs) currently control. This is important because it is this one activity that clearly distinguishes the entrepreneur from a non-entrepreneur and a mere manager.

The person behind entrepreneurship, namely the entrepreneur, will now be discussed.

2.2.2 Entrepreneur

Peter Drucker (stated in Lambing & Kuehl, 2000: 14) noted that although the term has been used for more than 200 years, there has been total confusion over the definition. The word “entrepreneur” is derived from the French words meaning “between” and “to take”; thus an entrepreneur is one who takes a position between a supplier and a customer – one who “takes” the risk, literally, that it will succeed. Peter Drucker defines the entrepreneur as one who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.

Another description of entrepreneurship, according to Nieuwenhuizen (2004: 33), is that entrepreneurs recognise opportunities for new products or services and obtain the finance and other resources to produce and deliver them. The finance and other

resources may come from themselves or from other sources. Entrepreneurs are inclined to take risks and are generally associated with economic growth.

In simple terms, an entrepreneur can be defined as an ordinary individual who does extraordinary things which other ordinary individuals hesitate to do. The act of doing is a distinctive element of the entrepreneur. It is, in fact, this element of action which distinguishes the entrepreneur from other individuals (O'Neill, Terblanche & Keyter, 1997: 2).

The main characteristics of a successful entrepreneur will now be discussed.

2.3 EXAMINE AND DISCUSS THE MAIN CHARACTERISTICS OF BEING A SUCCESSFUL ENTREPRENEUR

According to Hellriegel, Jackson and Slocum (2002: 134), highly successful entrepreneurs often are differentiated from less successful entrepreneurs by how quickly they increase their new business activities. The most successful are those whose businesses grow most rapidly.

In order to have an in-depth understanding of the characteristics of entrepreneurs, the discussion that follows, will focus on both the psychological and social characteristics of entrepreneurs.

2.3.1 Psychological characteristics

Research suggests that entrepreneurs who succeed, share a variety of attitudinal characteristics such as being goal-oriented, achievement oriented, desire for independence, commitment, creativity and future-orientated.

Kuratko and Hodgetts (2001: 32) point out that the following characteristics are based on case studies and on research findings among achievement-oriented people. Today we realize that a standard entrepreneurial profile is hard to compile. The environment, the venture itself, and the entrepreneur have interactive effects, which results in many different types of profiles.

2.3.1.1 Commitment, determination and perseverance

More than any other, total dedication to success as an entrepreneur can overcome obstacles and setbacks. Sheer determination and an unwavering commitment to succeed often win out against odds that many people would consider insurmountable (Kuratko & Hodgetts, 2001: 99).

According to Nieuwenhuizen *et al.* (2005: 14), entrepreneurs dedicate all their skills, expertise and resources to establishing and building the enterprise. They prove their commitment by:

- Using their own money in the enterprise,
- Taking a mortgage on a house,
- Working long hours for the sake of the success of the enterprise
- Initially accepting a lower standard of living,
- Possibly earning little or no income from the enterprise

2.3.1.2 Passion for the business

Lambing and Kuehl (2000: 16) state that the entrepreneur must have more than just commitment to the enterprise, as there will be many hurdles and obstacles to overcome. If there is no passion of consuming interest, the business will not succeed.

2.3.1.3 Involvement in the enterprise

Entrepreneurs are personally involved in the enterprise and are aware of everything that is happening on all levels and in all sections of the enterprise. They perform tasks themselves and communicate with staff and others involved in the enterprise, such as suppliers and clients (Nieuwenhuizen *et al.*, 2005: 14).

2.3 1.4 Opportunity obsession

One clear pattern among successful, growth-minded entrepreneurs is their focus on opportunity rather than resources, structure, or strategy. They start with the opportunity and let their understanding of it guide other important issues (Kuratko & Hodgetts, 2001: 99).

Lambing and Kuehl (2000: 17) add that to the general public, change is often frightening and is something to be avoided. Entrepreneurs, however, see change as normal and necessary. They search for change, respond to it, and exploit it as an opportunity, which is the basis of innovation.

Many famous businesses have been started because an entrepreneur turned a “problem” into a successful business. The entrepreneur recognised that the problem was actually an opportunity (Mariotti, 2006: 15).

2.3.1.5 Calculated risks taking

Without a significant belief in themselves, owner-managers are unlikely to have taken the initial risk of starting their own business. Entrepreneurs are often characterized as risk-takers who instinctively know that gains do not accrue to those who always play safety first (Stokes & Wilson, 2006: 45).

Kuratko and Hodgetts (2001: 100) stated that entrepreneurs are not gamblers. When they decide to participate in a venture, they do so in a very calculated, carefully thought-out manner. They do everything possible to get the odds in their favour, and they often avoid taking unnecessary risks.

2.3.1.6 Need for autonomy

A trait which is commonly recognized as prevalent among entrepreneurs and owner-managers alike is their strong desire for independence, the freedom to create their own futures. The desire to be independent and self-directing has been seen as a predictor of the successful “fit” of an individual with an entrepreneurial position (Stokes & Wilson, 2006: 44). Kuratko and Hodgetts (2001: 104) add that the entrepreneur’s frustration with rigid bureaucratic systems, coupled with a sincere commitment to “make a difference”, adds up to an independent personality, trying to accomplish tasks his or her own way.

2.3.1.7 Locus of control

Successful entrepreneurs believe in themselves. They do not believe the success or failure of their venture will be governed by fate, luck or similar forces. They believe their accomplishments and setbacks are within their own control and influence and they can affect the outcome of their actions (Kuratko & Hogetts, 2001: 100). Stokes and Wilson (2006: 44) add that successful entrepreneurs are convinced that they can control their own destinies. Studies have shown that small business survival and success is linked to the internal locus of control and beliefs of the owner-manager.

Coetsee (2001:102) agrees that people with an internal locus of control believe that they have the power and ability to decide on their actions and behaviour. However, they don't have the power to decide what the consequences of these decisions will be.

2.3.1.8 Tenacity despite failure

According to Hisrich *et al.* (2008: 38), failure is particularly common among entrepreneurial firms because, the newness, that is the source of an opportunity, is also a source of uncertainty and changing conditions.

Because of the hurdles and obstacles that must be overcome, the entrepreneur must be consistently persistent. Many successful entrepreneurs succeeded only after they had failed several times (Rogerson, 2004: 2). It has been stated that 'successful entrepreneurs don't have failures, they have learning experiences'. They know that "difficulties are merely opportunities in work clothes" (Lambing & Kuehl, 2000: 16).

Kuratko and Hodgetts (2001: 102) add that the iterative, trail-and-error nature of becoming a successful entrepreneur makes serious setbacks and disappointments an integral part of the learning process. The most effective entrepreneurs are realistic enough to expect such difficulties.

2.3.1.9 Need for achievement

According to Hellriegel *et al.* (2002: 138), the need for achievement, a person's desire either for excellence or to succeed in competitive situations, is a key personal attribute of successful entrepreneurs.

Entrepreneurs act on their ideas because they have a high need for achievement, shown in many studies to be higher than that of the general population. That achievement motive is converted into drive and initiative that results in accomplishments

(Lambing & Kuehl, 2000: 15). Stokes and Wilson (2006: 44) continue that entrepreneurs have been shown to possess higher achievement motivation than both corporate managers and small business owner-managers

2.3.1.10 Creativity

Creativity can be seen as the ability of a person to identify an opportunity within a particular environment. The ability of the person depends on the motives, personality, skills, experience and psychological preferences of the person within a particular environment. Creativity implies the generation of new ideas and approaches. Entrepreneurial behaviour, on the other hand, involves the ability to identify opportunities based on these new ideas and approaches, and to turn them into some economically viable product, service or venture (O' Neill *et al.*, 1997: 20). Nieuwenhuizen *et al.* (2005: 15) add that it is logical that creative thinking, but especially innovative ability, is fundamental to starting a new enterprise.

2.3.1.11 Persistent problem solving

Entrepreneurs are not intimidated by difficult situations. In fact, their self-confidence and general optimism seem to translate into a view that the impossible just takes a little longer. Yet they are neither aimless nor foolhardy in their relentless attack on a problem or an obstacle that is impeding business operations. Simple problems bore them and unsolvable ones do not warrant their time (Kuratko & Hodgetts, 2001: 100). Entrepreneurs are typically persistent and determined to succeed, and they continually seek solutions to the obstacles that inevitably arise (Tracy, 2004: 125).

2.3.1.12 Confidence and optimism

Entrepreneurs are, furthermore, confident in their abilities and the business concept. They believe they have the ability to accomplish whatever they set out to do. This confidence is not unfounded, however. Often they have an in depth knowledge of the market and the industry and they have conducted months (and sometimes years) of investigation (Lambing & Kuehl, 2000: 16).

Kuratko and Hodgetts (2001: 104) add that although entrepreneurs often face major obstacles, their belief in their ability seldom wavers. During these down periods they maintain their confidence and those around them know it. This helps the others sustain their own optimism and creates the level of self-confidence necessary for efficient group effort. Hellriegel *et al.*, (2002: 139) states that a successful track record does much to improve an entrepreneur's self-confidence and self-esteem. It enables that person to be optimistic in representing the firm to employees and customers alike.

2.3.1.13 Intelligence and cognitive adaptability

Cognitive adaptability describes the extent to which entrepreneurs are dynamic, flexible, self-regulating, and engaged in the process of generating multiple decision frameworks focused on sensing and processing changes in their environment and then acting on them. Cognitive adaptability is reflected in an entrepreneur's metacognitive awareness, that is, the ability to reflect upon, understand, and one's thinking and learning (Hisrich *et al.*, 2008: 38).

Kuratko and Hodgetts (2001: 46) add that the major reason that mental ability is important, is the fact that entrepreneurs must be able to develop competitive strategies. This requires of the entrepreneur to be a generalist. A generalist has the ability "to pull everything together".

2.3.1.14 Sound human relations

Human relations are one of the functions of the enterprise. Irrespective of the size of the enterprise, there are always human relation activities to be carried out (Le Roux *et al.*, 2004: 139).

Entrepreneurs have a close relationship with people. They realize they cannot be successful in isolation. They motivate their employees and know how to build contacts to the benefit of the enterprise. They find it important to ensure long-term relationships and stay on good terms with suppliers, clients and others involved in the enterprise (Nieuwenhuizen, 2004: 45).

2.3.1.15 Ability to see the big picture

According to Lambing and Kuehl (2000: 18), entrepreneurs often see things in a holistic sense. They have an ability to see the “big picture” when others see only the parts. Entrepreneurs scan the environment, which allows them to see the entire business environment and the industry. This helps to formulate the larger picture of the business activity.

2.3.1.16 Motivation to excel

Entrepreneurs are self-starters who appear driven internally by a strong desire to compete against their own self-imposed standards and to pursue and attain challenging goals (Timmons & Spinelli, 2007: 13).

Nieuwenhuizen *et al.* (2005: 14) continues that entrepreneurs realize that they cannot be successful in isolation. They motivate their employees and know how to build contacts to the benefit of the organization.

2.3.1.17 Integrity and accountability

Ethical entrepreneurs demonstrate personal integrity and the courage of their convictions by doing what they think is right even when there is great pressure to do otherwise. They are principled, honourable, upright, and will fight for their beliefs. They will not sacrifice principle for expediency or be hypocritical or unscrupulous. They accept personal accountability for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities (Ryan & Hiduke, 2003: 269).

2.3.1.18 Taking responsibility and initiative

High achievers take responsibility for attaining their goals, set moderately difficult goals, and want immediate feedback on how well they have performed (Hellriegel *et al.*, 2002: 138).

2.3.1.19 Detail orientation and perfectionism

Entrepreneurs are often perfectionists, and striving for excellence, or “perfection,” is what helps make the business successful. The attention to detail and the need of perfection results in a quality product or service. However, this often becomes a source of frustration for employees who may not be perfectionists themselves. Because of this, the employees may perceive the entrepreneur as being a difficult employer (Lambing & Kuehl, 2000: 17).

2.3.1.20 Self efficacy

Self-efficacy describes an individual's belief in their ability to undertake and accomplish some particular task or activity. Self-belief would appear to characterize the entrepreneur at all stages of the entrepreneurship process (Stokes & Wilson, 2006: 45).

2.3.1.21 Team builder and creator of heroes

Successful entrepreneurs are extremely hard working and task oriented, but they aren't lone wolves, one person can do only so much alone (Hellriegel *et al.*, 2002: 142).

2.3.1.22 Energy, health and emotional stability

The extraordinary workloads and stressful demands faced by entrepreneurs place a premium on energy and on physical and emotional health. Entrepreneurs are also aware of the potential for isolation, stress, and even severe depression resulting from a life lived on the edge and the constant drive to excel (Timmons & Spinelli, 2007: 12). Kuratko and Hodgetts (2001: 102) add that many entrepreneurs fine-tune their energy levels by carefully monitoring what they eat and drink, establishing exercise routines, and knowing when to get away for relaxation.

2.3.2 Sociological characteristics and influences on entrepreneurs

Sociological upbringing of children and education plays a crucial role in determining whether they will be entrepreneurs or not. These two factors could be regarded as being important in the decision to start a new business and will now be discussed.

2.3.2.1 The impact of education on entrepreneurs

Education is important in the upbringing of the entrepreneur. The importance of this is reflected not only in the level of education obtained but also in the fact that it continues to play a major role in helping entrepreneurs cope with the problems they confront. Although a formal education is not necessary for starting a new business, it does provide a good background, particularly when it is related to the field of the venture (Hisrich *et al.*, 2008: 58).

A rising trend in the number of entrepreneurship education initiatives supports the idea that entrepreneurs can be made, and thus the sentiment that entrepreneurship can be taught. It is suggested that economic shifts have sparked the increased interest in entrepreneurship (Lord, 1999: 34).

2.3.2.2 Parental influences

Entrepreneurs are more likely to be from families in which the parents owned a business. In their research study, Stokes and Wilson (2006: 37) found that 50 percent of a sample of 1,805 entrepreneurs and 50 percent to 58 percent of company founders in different surveys in the United States had this family background. This view suggests that children growing up in such families see their parents as being role models, therefore entrepreneurship is seen as a feasible career. Growing up in such families, children develop knowledge and skills of what is involved in running a business.

Entrepreneurial parents can act as role models for entrepreneurs. Successful entrepreneurs are viewed frequently as catalysts by potential entrepreneurs. Entrepreneurial parents can serve in a supportive capacity as mentors during and after the launch of a new venture (Hisrich *et al.*, 2008: 61).

2.4 DIFFERENT TYPES OF ENTREPRENEURS

Although the abovementioned characteristics are still important to distinguish entrepreneurs from non-entrepreneurs, the latest research reveals that there is not only one set of entrepreneurial characteristics or one kind of entrepreneur (Miner, 1996: 35).

Nieman, Haugh and Nieuwenhuizen (2003: 3) argue that different types of entrepreneurs can be identified. Anyone who fits the characteristics of one or more of these types of entrepreneurs, can, with success, follow the entrepreneurial route. This means that many more people have the capacity for entrepreneurship than was previously thought. These types of entrepreneurs can be classified as follows:

2.4.1 The personal achiever entrepreneur

The personal achiever entrepreneur is known by the following characteristics:

- Need to achieve
- Desire for feedback
- Desire to plan and set goals
- Strong personal initiative
- Strong personal commitment to his/her enterprise
- Belief that one person can make a difference, and
- Belief that work should be guided by personal goals, not those of others

(Le Roux *et al.*, 2004: 299)

2.4.2 The aspiring entrepreneur

This entrepreneur dream of starting a business; he or she hopes for the chance to be their own boss, but they have not yet made the leap from their current employment into the uncertainty of a start-up.

2.4.3 The empathic “supersalesperson” entrepreneur

According to Le Roux *et al.* (2004: 300), the empathic supersalesperson entrepreneur is known by the following characteristics:

- Capacity to understand and feel with others
- Desire to help others
- Belief that social processes are very important
- Need to have strong positive relationship with others, and
- Belief that a sales force is crucial to carrying out company strategy.

2.4.4 The real manager entrepreneur

The real manager entrepreneur is known by the following characteristics (Miner, 1996: 67):

- Desire to be a corporate leader
- Decisiveness
- Positive attitude to authority
- Desire to compete
- Desire for power
- Desire to stand out from the crowd

Stokes and Wilson (2006: 41), add that this entrepreneur adopts a more structured approach to building an organization on the lines of a “little big business”.

2.4.5 The corporate entrepreneur

According to Hisrich *et al.* (2008: 16), corporate entrepreneurship involves entrepreneurship within an existing business. This type of entrepreneurship can also bridge the gap between science and the marketplace. Existing business have the financial resources, business skills, and frequently the marketing and distribution systems to commercialize innovation successfully.

2.4.6 The “craftsperson” entrepreneur

These entrepreneurs are small business owners, ranging from joiners to hairdressers who themselves directly provide a product or service, and who enjoy doing it (Stokes & Wilson, 2006: 41).

2.5 MYTHS REGARDING ENTREPRENEURSHIP

2.5.1 Anyone can start a business

Entrepreneurs who recognize the difference between an idea and an opportunity, and who think big enough, start businesses that have a better chance of succeeding. Luck, to the extent it is involved, requires good preparation. And the easiest part is starting. What is hardest is surviving, sustaining, and building a venture so its founders can realize a harvest. Perhaps only one in 10 to 20 new businesses that survive five years or more results in a capital gain for the founders (Timmons & Spinelli, 2007: 19).

2.5.2 All entrepreneurs need is money

It is true that a venture needs capital to survive. It is also true that a large number of business failures occur because of a lack of adequate financing. Yet having money is not the only bulwark against failure. Failure due to a lack of proper financing often is an indicator of other problems: managerial incompetence, lack of financial understanding, poor investments, poor planning, and the like. Many successful entrepreneurs have overcome the lack of money while establishing their ventures. To those entrepreneurs, money is a resource but never an end in itself (Kuratko & Hodgetts, 2001: 32).

2.5.3 Entrepreneurs experience a great deal of stress and pay a high price

Being an entrepreneur is stressful and demanding. But there is no evidence that it is any more stressful than numerous other high demanding professional roles, and entrepreneurs find their jobs very satisfying. They have a high sense of accomplishment, are healthier, and are much less likely to retire than those who work for others. Three times as many entrepreneurs as corporate managers say they plan to never retire (Timmons & Spinelli, 2007: 19).

2.5.4 Entrepreneurs are born, not made

The idea that the characteristics of entrepreneurs cannot be taught or learned, that they are innate traits one must be born with, has long been prevalent. These traits include aggressiveness, initiative, drive, a willingness to take risks, analytical ability, and skill in human relations. Today however, the recognition of entrepreneurship as a discipline is helping to dispel this myth. Like all disciplines, entrepreneurship has models, processes, and case studies that allow the topic to be studied and the knowledge to be acquired (Kuratko & Hodgetts, 2001: 30).

With this last myth in mind, the skills that can be learned will now be discussed.

2.6 SKILLS NECESSARY FOR ENTREPRENEURS TO BE SUCCESSFUL

The characteristics of an entrepreneur have already previously been discussed. We will now look at the most important skills needed for an entrepreneur to be successful. These skills can, unlike in the case of characteristics, be learned and exercised through practice.

According to Nieuwenhuizen *et al.* (2005: 10), successful entrepreneurs have particular skills, expertise and aptitudes that can be applied profitably in any enterprise. It is best to start or run an enterprise in something you feel comfortable with and know a lot about (expertise) and/or in which you are skilled. The match between you, the person starting the enterprise, and the type of enterprise is therefore most important.

According to Fazey (1997: 164), people need to be multi-skilled to become entrepreneurs. Naudé (1998) adds that educational programmes that teach skills which enhance international competitiveness are needed to build a more capable entrepreneurial sector that can compete more effectively in the international market.

Literature suggests that anyone can be an entrepreneur, provided that this person has the necessary qualities or skills to be an entrepreneur. Although various sources have outlined the qualities or skills of successful entrepreneurs, there do not seem to be much consensus about which cluster of skills is the most important.

The following skills and qualities are the most documented:

2.6.1 Communication skills

According to Shuman (1999), the key to entrepreneurial and business success is the ability to satisfy the needs and wants of your customers better than anyone else does. If you are lucky enough to ever achieve success, it is seldom final. The business process continues, because the customers' needs constantly change. According to this

definition, communication with the customers, which implies feedback, is crucial to satisfying the needs of the market.

2.6.2 Managerial skills

Management is the rational process that deals with the use of scarce resources and tasks such as planning, organizing, leading, co-coordinating and controlling for attaining certain objectives (Marx, van Rooyen, Bosch & Reynders, 1998: 349).

Stokes and Wilson (2006: 51) add that management skills relate to managing key functions of the enterprise. The competency to deal with e.g. marketing, finance and human resources, depends particularly on the entrepreneur in the early years of their venture when they are less likely to employ specialists.

2.6.3 Financial skills

The financial function of an enterprise refers to all the activities in the enterprise involved in obtaining capital and the efficient use of capital. Financial management involves constantly making decisions about how the financial activities of an enterprise should be planned and controlled with the help of information that is available at that time (Le Roux *et al.*, 2004: 159).

2.6.4 Marketing skills

Marketing is the process where the entrepreneur transfers goods and services to customers in order to satisfy their needs. Marketing therefore entails more than just advertising products and services as it includes a variety of activities cutting all functions of entrepreneurship (Le Roux *et al.*, 2004: 229).

2.6.5 Human relation skills

The management of people is often the most important role played by the entrepreneur (Stokes & Wilson, 2006: 337). The entrepreneur may decide how the human resource function of his enterprise will be carried out, and may either employ a person to handle it or perform the function him/herself (Le Roux *et al.*, 2004: 139).

2.6.6 Technical skills

Technical skills are unique to each venture or field of specialization and entail “the ability to apply specific knowledge, techniques and resources successfully in the execution of an assignment” (Marx *et al.*, 1998: 357).

Stokes and Wilson (2006: 51) continue that technical skills relate to an understanding of the products or services on offer and the market and industry environment in which they exist. While the successful entrepreneur may not be a technical expert in their chosen field, they have an intuitive feel for their chosen marketplace and develop business relationships with those who do have the necessary expertise.

2.6.7 Information-seeking skills

An entrepreneur must be up-to-date on the latest market trends and implement these to enable the firm to consistently offer the best products and services. Knowledge often separates a business from its competitors (Pierce, 2003: 54).

Research has been done on the main characteristics and skills needed by an entrepreneur to be successful. It is important to now look at the entrepreneurial process that needs to be followed by the entrepreneur to make his business successful.

2.7 THE ENTREPRENEURIAL PROCESS

The process of pursuing a new venture is embodied in the entrepreneurial process, which involves more than just problem solving in a typical management position. An entrepreneur must find, evaluate, and develop an opportunity by overcoming the forces that resist the creation of something new. The process has distinct phases (Hisrich *et al.*, 2008: 9).

2.7.1 Exploring the entrepreneurial context

The entrepreneurial context determines the “rules” of the game and what decisions are likely to be successful. The entrepreneur must be aware of the context within which entrepreneurial decisions are made. Only through exploring the context can entrepreneurs discover the untapped opportunities and competitive advantage(s) that may lead to the development of a potentially successful entrepreneurial venture (Coulter, 2003: 14).

2.7.2 Conducting opportunity analysis

Opportunity identification and evaluation is a very difficult task. Most good business opportunities do not suddenly appear, but rather result from an entrepreneur’s alertness to possibilities or, in some cases, the establishment of mechanisms that identify potential opportunities (Hisrich *et al.*, 2008: 9).

There are five ways entrepreneurs can find opportunities to create new businesses:

- Use new technology to produce a new product
- Use an existing technology to produce a new product
- Use an existing technology to produce an old product in a new way.

- Find a new source of resources (that might enable the entrepreneur to produce a product more cheaply)
- Develop a new market for an existing product (Mariotti, 2006: 14)

Kaplan (2003: 6) adds that this stage usually takes at least a year, because it details the pricing and sales strategies required.

2.7.3 Finding possible competitive advantages

Coulter (2003: 15) states that just identifying an opportunity isn't enough. The entrepreneurial process also involves pinpointing a possible competitive advantage. A competitive advantage is what sets an organization apart; it's an organisation's competitive edge. Having a competitive advantage is crucial for an organization's long-term success and survival.

2.7.4 Develop a business plan

According to Kaplan (2003: 7), the development of a business plan is the stage where ideas are discarded and strategies are documented and converted to a business plan. The focus of this stage is on writing a well-conceived business plan.

A business plan is a comprehensive document that helps the entrepreneur analyze the market and plan the business strategy. The business plan helps the entrepreneur to avoid costly mistakes. In addition to being useful as a planning document, the business plan often is necessary for obtaining financing. Banks, venture capitalists, and investors usually require a business plan in order to help them make their investment decisions. A well-written business plan provides evidence of the entrepreneur's ability to plan and manage the company (Lambing & Kuehl, 2000: 131).

According to Hisrich *et al.* (2008: 13), a good business plan is essential to developing the opportunity and determining the resources required, obtaining those resources and managing the venture.

2.7.5 Determination of the required resources

One of the most common misconceptions among untried entrepreneurs is that you first need to have all the resources in place, especially the money, to succeed with a venture. Thinking money first is a big mistake. Money follows high potential opportunities conceived of and led by a strong management team (Timmons & Spinelli, 2007: 90).

The entrepreneur must determine the resources needed for addressing the opportunity. This process starts with an appeal to the entrepreneur's present resources. Any resources that are critical need to be differentiated from those that are just helpful. Care must be taken not to underestimate the amount and variety of resources needed. The entrepreneur should also assess the downside risks associated with insufficient or inappropriate resources (Hisrich *et al.*, 2008: 13).

2.7.6 Management of the resulting enterprise

It is important to recognize and understand that there's more to entrepreneurship in action than just starting the venture. An entrepreneur also must effectively manage the venture by managing processes (Coulter, 2003: 16).

According to Thompson, Strickland and Gamble (2007: 1), a company's strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers , competing

successfully, conducting operations, and improving the company's financial and market performance.

For the entrepreneur to be successful in the entrepreneurial process, he needs to understand the production factors for running a successful business.

2.8 PRODUCTION FACTORS

The production factors are the resources that are available to a small business enterprise. Using these resources, the enterprise must exploit opportunities or ward off external threats (Nieuwenhuizen, 2004: 22).

2.8.1 The market

The market consists of the consumer at whom entrepreneurs aim their marketing efforts, and to whom they thus want to sell their products and/or goods. The word "market" does not refer to the physical marketplace. To a small business enterprise, the market means all individuals, groups or institutions that have specific needs in terms of goods or services and are prepared to pay for them. In fact, everyone who needs a product, and is prepared to buy that product, can be regarded as the market (Nieuwenhuizen, 2004: 23).

Ryan and Hiduke (2003: 32) indicate that entrepreneurs need to do market research to discover the right opportunity for their business. Conducting research is made easy by means of the internet.

2.8.2 Competitors

Various enterprises compete with each other in providing the same product/service to the consumer. The entrepreneur must know precisely what product to offer which market. Competitors can present certain threats or opportunities to entrepreneurs (Nieuwenhuizen, 2004: 25).

Lambing and Kuehl (2000: 140) add that it is important to know the competition can be completed by determining their strengths and weaknesses and examining specific aspects of their operation. Entrepreneurs need to ask them the following questions about their competition:

- Do they have a large product line?
- Do they have poor service?
- Are they strong or weak financially?
- Do they have a stable workforce or is there a high turnover?

2.8.3 Suppliers of resources and services

Small enterprises do not necessarily have the raw materials and other resources needed to manufacture their products or provide their services. They use products and services sourced from other enterprises or institutions. Entrepreneurs need raw materials, water, electricity, communications and capital, for example (Nieuwenhuizen, 2004: 25). Stokes and Wilson (2006: 88) add that suppliers to a small firm also influence its environment in their pricing and other market policies.

Entrepreneurs must establish the supply chain that will most efficiently facilitate the use of and distribution of materials, products and finished goods. Effective supply chains consist of multiple companies that function as efficiently and effectively as a single company and that provide reliable information and track accountability (Kaplan, 2003: 293).

2.8.4 Capital

To start or expand a business, the entrepreneur will need to raise some money. Raising money for a business is an aspect of financing, which is the use and manipulation of money. Of entrepreneurs, that means obtaining the money to start and operate a business successfully. There are two ways to finance a business; borrow money (debt) and exchange a share of the business for money (equity) (Mariotti, 2006: 201).

When an enterprise is established, capital is needed to purchase the land, building, raw materials and machinery necessary to produce the products or services of the enterprise. There must also be funds available to pay for salaries, transport, electricity, water and other production means that are in need. An enterprise has a limited amount of capital to spend and must therefore budget carefully for all its activities (Le Roux *et al.*, 2004: 8).

2.8.5 Labour

No enterprise can succeed without human beings who have the technical knowledge, physical capabilities, skills and intellectual talents to make products, provide services and assume leadership. In certain enterprises labour is regarded as a scarce production factor, since certain qualifications and skills are in short supply (Le Roux *et al.*, 2004: 8).

Stokes and Wilson (2006: 337) add that the management of people is often the most important role played by the owner-manager. Like all other functional areas in a new start-up, the owner-manager will tend to take control of the personnel function. Employees for an entrepreneurial enterprise need to be chosen very carefully. Kaplan (2003: 265) suggests that once resumes have been collected, entrepreneurs need to determine each candidate's strengths and potential weaknesses. Factors such as education, experience, and previous entrepreneurial activities can be used to assess potential candidates. Although many valid and reliable methods exist for selecting a

candidate from a pool of applicants, the most commonly used method at all levels of an organization is the interview.

2.8.6 Entrepreneurship

Entrepreneurship is the initiative that an individual takes to combine the first three production factors to offer products and services that satisfy the needs of consumers. The entrepreneur takes the risk of starting an enterprise and making a profit or loss as a result. Entrepreneurship is scarce in the sense that not everyone wants to take the risks associated with starting an enterprise (Stokes & Wilson, 2006: 33).

2.8.7 Natural resources

Natural resources are the means provided by nature. These include land, minerals, water and forests. Natural resources are scarce since each country has a limited supply. Once these resources are depleted, they cannot be replaced (Le Roux *et al.*, 2004: 8).

2.9 SUMMARY

The main purpose of this chapter is to give an oversight of the main characteristics, nature of entrepreneurship and needed skills.

The definitions of entrepreneurship and the entrepreneur are very important for this study as it helps the reader to clearly understand the core concepts of the research.

Social and psychological characters have major influences on the success of entrepreneurs. These influences are the main determinants for people making the entrepreneurial lifestyle decision.

People are unique and that is why there are different types of entrepreneurs. There is no strict profile of a successful entrepreneur, but rather a combination of characteristics.

The fact that anyone can start a business or that you only need capital to start your own business is not true. These myths regarding entrepreneurship can be very misleading to inexperienced entrepreneurs. "Entrepreneurs are born and not made" is another myth that needs to be cleared up. With the correct knowledge, experience and training, anyone can enhance their entrepreneurial skills.

These entrepreneurial skills are very important for the success of entrepreneurship. Entrepreneurs need management skills to be able to plan, organize, lead and control their business success. Communication-, financial, technical- and information-seeking skills are extremely important skills for an entrepreneur. Another important skill is human relations, as the entrepreneur is constantly working with employees, customers and suppliers.

The entrepreneurial process gives the entrepreneur insight into the step-by-step process of entrepreneurship. Entrepreneurs need to explore the entrepreneurial context, do an opportunity analysis and conduct a business plan. The required resources need to be determined and a competitive advantage needs to be established for the business. These are crucial elements of a successful entrepreneurial process. The necessary resources for the entrepreneurship are part of the production factors. The market, competitors, suppliers, natural resources and capital are crucial factors that need to be in place and well researched for the entrepreneur to be successful.

It is clear that being a successful entrepreneur involves skill and determination. The theory in this chapter suggests that the aspiring entrepreneur must acquire the appropriate skills and resources to be successful.

CHAPTER 3

EMPIRICAL RESEARCH RESULTS AND DISCUSSION

3.1 INTRODUCTION

Empirical Research is research that is based on experimentation or observation, i.e. evidence. Such research is often conducted to answer a specific question or to test a hypothesis (educated guess).

The aims of the empirical research process are as follows:

- Move research beyond simple 'reporting of observations'
- Foster environments for enhanced understanding
- Combine rigorous research with thorough case study
- Relevance of theory is proved by ability to work in a real world environment (context)

(<http://library.manor.edu/tutorial/empiricalresearch.htm>)

In this chapter, the empirical research for this study was conducted in order to evaluate the current skills among entrepreneurs in the informal sector of the Goldfields. The research will give answers to the specific skills needed by entrepreneurs in the informal sector of the Goldfields to run their businesses with more efficiency. The objective of this research is to evaluate and establish the fact that there is a definite lack of skill regarding informal entrepreneurs and that definite measures should be put in place to enhance these skills.

The goals were to explore and analyse the data gathered. The researcher has relied on in-depth interviewing, using interviews as a field-research technique to complete a structured questionnaire and obtain data for this research study. The first step in the data analysis exercise was to capture and summarise all data. The data was then presented in graphical form such as pie charts and bar charts to present a visual interpretation of the results.

Information was gathered in the form of a questionnaire which was presented in an interview format. These interview sessions were eye-opening. It gave a better picture regarding the economic situation and insight into the households of people in the lower income regions.

3.2 GATHERING OF DATA

3.2.1 Objectives

The objectives of the empirical study are as follows, namely to:

- Investigate the educational level of these entrepreneurs
- Investigate the average monthly income these entrepreneurs make
- Determine the number of dependents on this monthly income
- Determine the reason for starting the business
- Investigate the problems these informal entrepreneurs encounter
- Determine business knowledge of these entrepreneurs
- Determine the average age and gender of these informal entrepreneurs

3.2.2 Sample and procedure

The sample was chosen from entrepreneurs in the informal sector in the Goldfields region. The focus was on street vendors. A sample of 30 entrepreneurs was interviewed in Welkom, Hennenman, Virginia, Odendaalsrus, Allenridge, Kutlwanong, Meloding and Thabong. The sample was divided according to population totals for each town or township.

Convenience sampling was used in this study. The participants were selected, in part or in whole, at the convenience of the researcher. Participants were approached by the researcher in such a manner that all of the different informal sector businesses were

represented. The ideal sampling procedure would probably be random sampling, but in this case the chance would have been that one or more of the informal entrepreneurial categories would not have been represented.

Table 3.1 Geographic representation of entrepreneurs in the Goldfields for the purpose of this study

<u>Town/Township</u>	<u>Percentage</u>	<u>Number</u>
Welkom	12%	4
Thabong	22%	7
Virginia	10%	3
Meloding	21%	6
Odendaalsrus	5%	2
Kutlwanong	20%	6
Allenridge	3%	1
Hennenman	5%	1
TOTAL:	100%	30

Entrepreneurs were approach in such a manner that the following categories of enterprises were included in the research:

- Fruit and vegetable vendors
- Clothing vendors
- Accessory vendors
- Landlines
- Hair Saloons
- Food vendors

3.2.3 Research instruments and design

The quantitative empirical research was done by analysis of quantitative data and was collected using a primary data collection method. Data was collected from entrepreneurs in the informal sector of the Goldfields by means of an interview and questionnaire.

The structure of the questionnaire is as follows:

- SECTION A: Bibliographical information about the business owner
 - A.1: Profile of the business owner
 - A.2: Structure of the participating business
- SECTION B - Skills level of informal entrepreneurs
 - B.1 – Social Influences on the entrepreneur
 - B.2 – Psychological influences on the entrepreneur

A sample of the explanatory research questionnaire is attached to this study as Appendix A.

3.3 BIBLIOGRAPHICAL INFORMATION OF THE BUSINESS OWNER

The quantitative research results of the study were summarised as follows (please refer to Appendix A for the structure of the questionnaire):

3.3.1 Owner involvement in the business

i) Purpose of the question

The purpose of question A1.1 (Appendix A) was to determine whether the interviewed person was directly involved in the business or employed by the business owner.

ii) Results obtained

The split percentage of involved business owners and employed supervisors is graphically presented in figure 3.1.

Figure 3.1 Management involvement of owner



iii) Analysis of the results

The response of the entrepreneurs showed that 87% of entrepreneurs that was interviewed were personally involved in their business and 13% of entrepreneurs employed someone to help them run their businesses.

3.3.2 Gender of the business owner

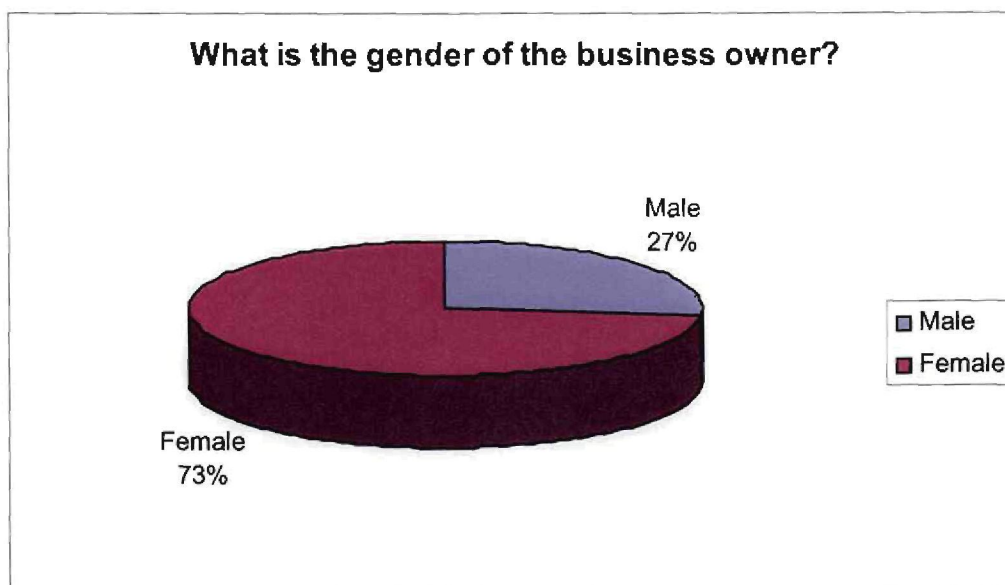
i) Purpose of the question

The purpose of question A1.2 (Appendix A) was to determine and distinguish between the number of male and female respondents. Respondents were asked to indicate their gender by selecting either the male or the female category defined in the questionnaire.

ii) Results obtained

Figure 3.2 indicates the gender of the business owner.

Figure 3.2 Gender of business owner



iii) Analysis of the results

It is evident from the results displayed in figure 3.2 that 73% of business owners were female and 27% male.

3.3.3 Age group of the entrepreneurs

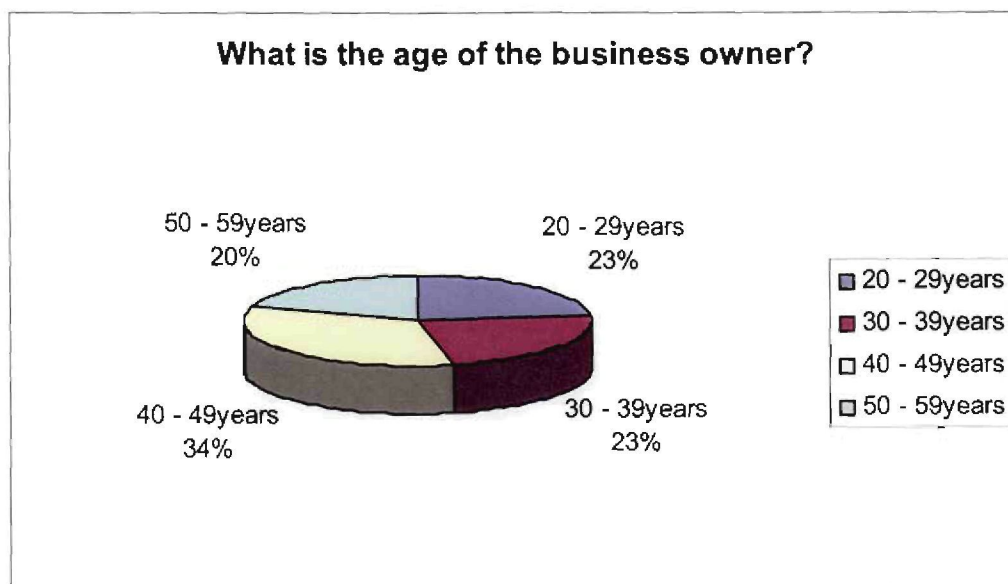
i) Purpose of the question

The purpose of question A1.3 (Appendix A) was to determine the age groups of participants. Participants were asked to indicate their ages by selecting one of the five predefined age groups in the questionnaire.

ii) Results obtained

The age groups of the interviewed entrepreneurs of the informal sector in the Goldfields are displayed in Figure 3.3.

Figure 3.3 Age group of the business owner



iii) Analysis of the results

Results from figure 3.3 indicate that 23% of participants were between the age of 20 and 29 years. Another 23% were in the 30 to 39 year age group and 34% were between 40 and 49 years. Lastly, 20% of participants were between the age 50 and 59 years. No participants were younger than 20 years or older than 60 years.

3.3.4 Mother language of the business owner

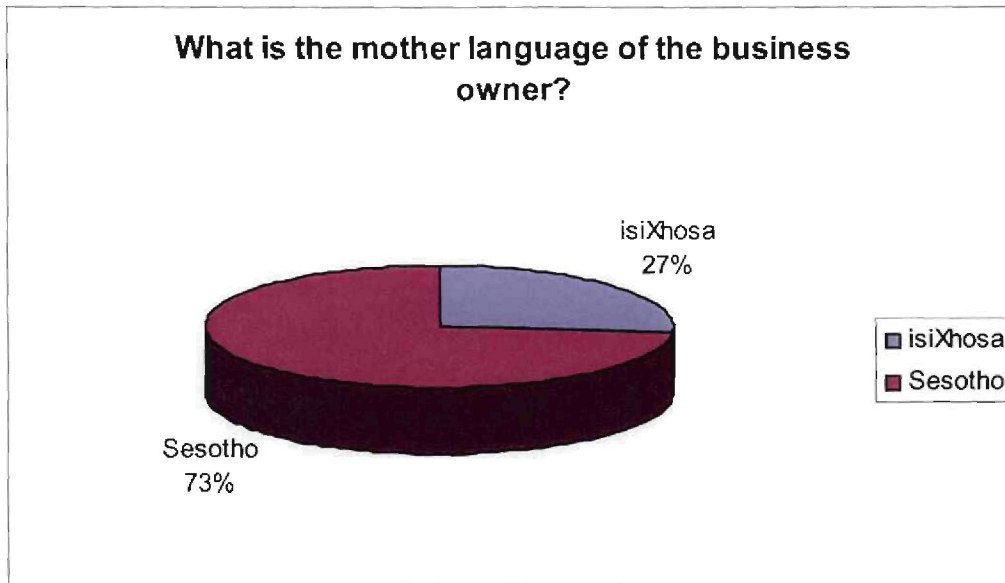
i) Purpose of the question

The purpose of question A1.4 (Appendix A) in the questionnaire was to determine the mother language of the participant. This question also serves to give some basic background information of where the participant comes from. Participants were asked to select their mother language from a list of relevant languages.

ii) Results obtained

Figure 3.4 presents the mother languages of the participants.

Figure 3.4 Mother language of the business owner



iii) Analysis of the results

It is evident from the results displayed in figure 3.4 that 73% have Sesotho as their mother language and 27%, Xhosa. None of the other presented languages presented in the questionnaire (Setswana, Zulu, Sepedi, Afrikaans and English) were chosen by the participants.

3.3.5 Educational level of the entrepreneur

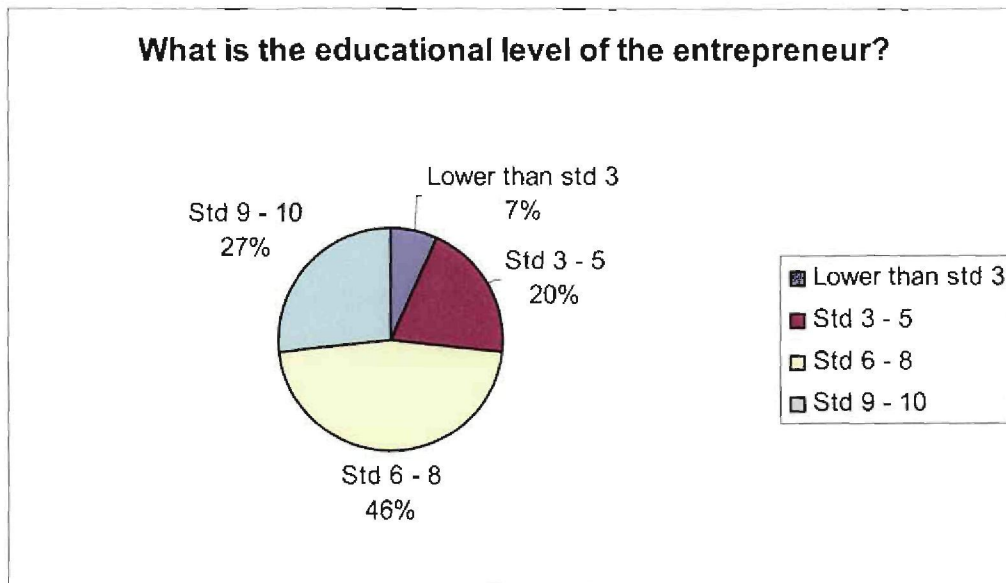
i) Purpose of the question

The purpose of question A1.5 (Appendix A) was to determine the level of education each participant poses. The level of education has an impact on the way an informal business is managed and can influence development, performance and profitability. Various educational level groups were defined. Participants were asked to indicate their highest level of education on the questionnaire.

ii) Results obtained

The educational level of the participants is presented in figure 3.5.

Figure 3.5 Educational levels of the entrepreneurs



iii) Analysis of results

Seven percent (7%) of the participants have an educational level of lower than standard 3 and 20% selected the standard 3 to standard 5 group. The participants in the standard 6 to standard 8 group were 46% and 27% selected the standard 9 to standard 10 educational group.

3.3.6 Existence of the business in the informal sector

i) Purpose of the question

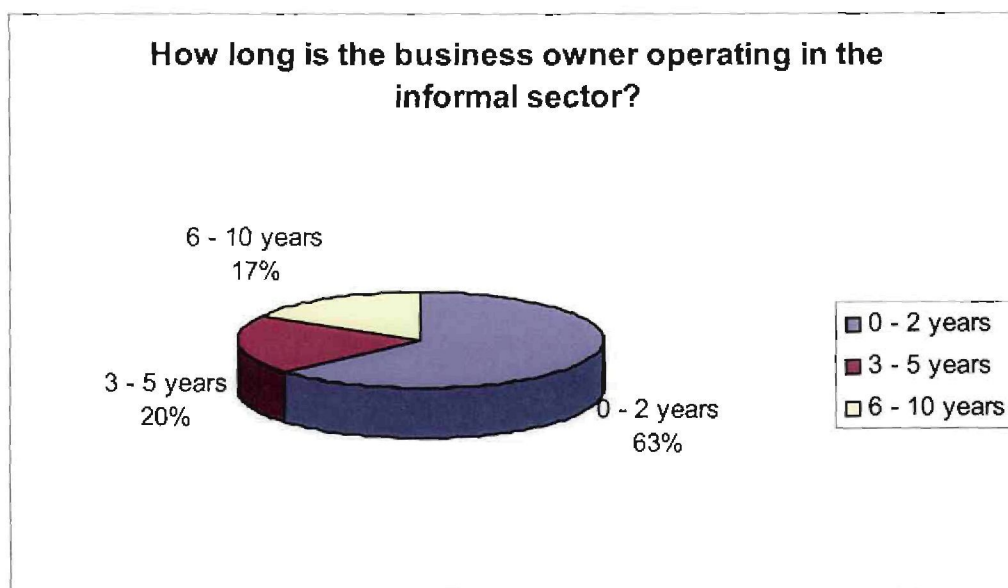
The purpose of question A1.6 (Appendix A) is to determine how long the business owner has been doing business in the informal sector. The selected period will also give an indication whether the business owner is able to make a living from his business.

Respondents were asked to select an answer from a group of categories in the questionnaire.

ii) Results obtained

The different educational levels as selected by the participants are indicated in figure 3.6.

Figure 3.6 Existence of the business in the informal sector



iii) Analysis of the results

Figure 3.6 indicates that 63% of the participants were in the informal field for less than 2 years. Twenty percent (20%) were in business for between 3 and 5 years and 17% for between six to ten years.

3.3.7 The number of people depending on income generated from the business

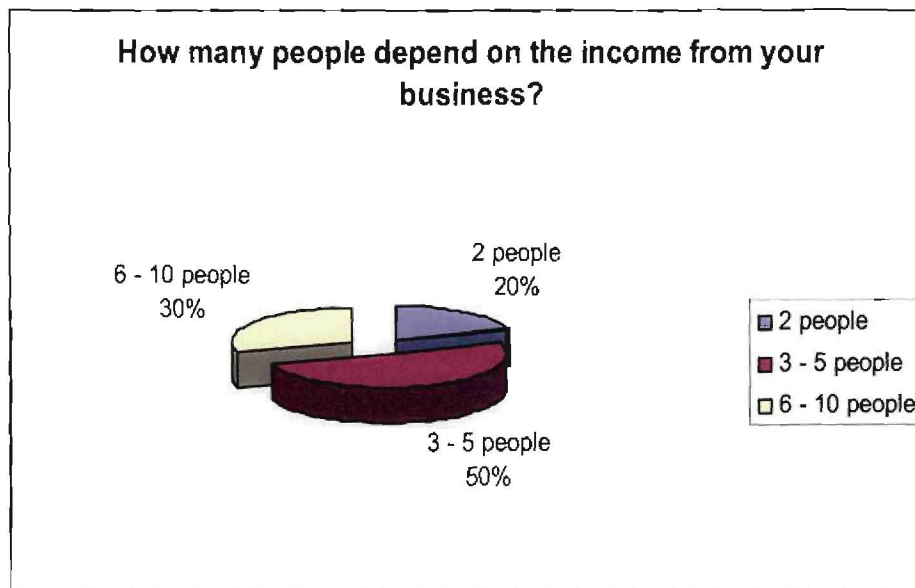
i) Purpose of the question

The purpose of question A1.7 (Appendix A) is to determine how many people are depending on the income generated from the informal business. This also gives an indication of the unemployment problem and degree of poverty in South Africa. Participants were asked to indicate the number of people depending on the income from their informal business (including themselves).

ii) Results obtained

The results of question A1.7 are graphically presented in figure 3.7.

Figure 3.7 The number of people depending on income generated from the business



iii) Analysis of results

The results displayed in figure 3.7 presents that 20% of the participants indicated that they supported two people, including them, with their business income. The majority of

participants (50%) have three to five dependents and 30% of the respondents supported between six and ten people with their business income.

3.4 STRUCTURE OF THE PARTICIPATING BUSINESSES

3.4.1 Monthly income of the business

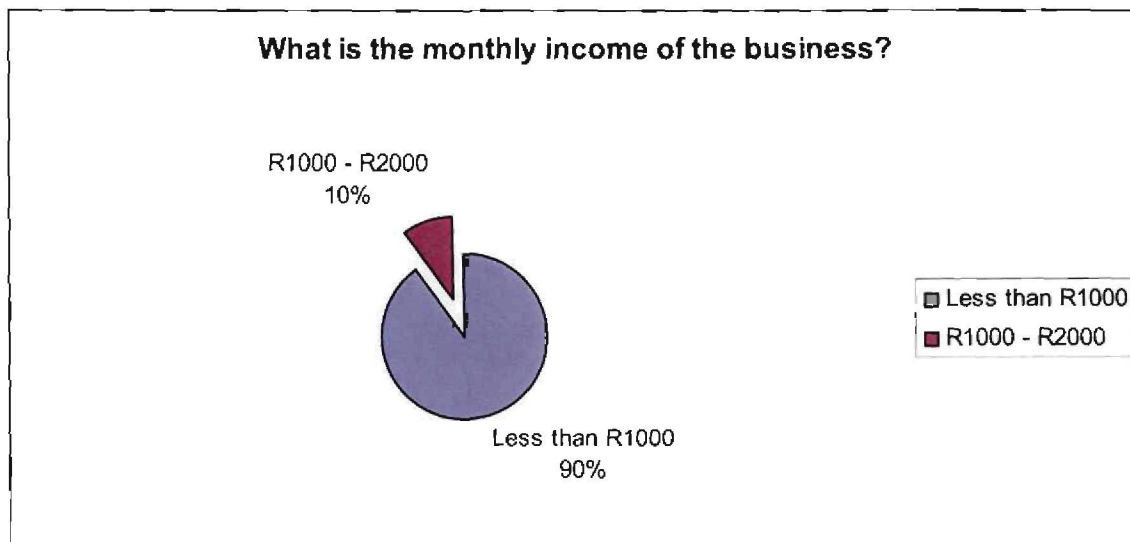
i) Purpose of the question

The purpose of question A2.1 (Appendix A) was to determine the monthly income generated from the informal enterprise. Participants were asked to indicate their monthly income from a list of suggested income groups in the questionnaire.

ii) Results obtained

The monthly incomes generated by participants in their informal businesses are graphically presented in the pie chart (refer to figure 3.8).

Figure 3.8 Monthly income of the business



iii) Analysis of results

The majority of participants (90%) indicated that they monthly generate less than R1000 from their informal businesses. Ten percent (10%) indicated that their monthly profit is between R1000 and R2000.

3.4.2 The number of employees, including the business owner, who work for the business

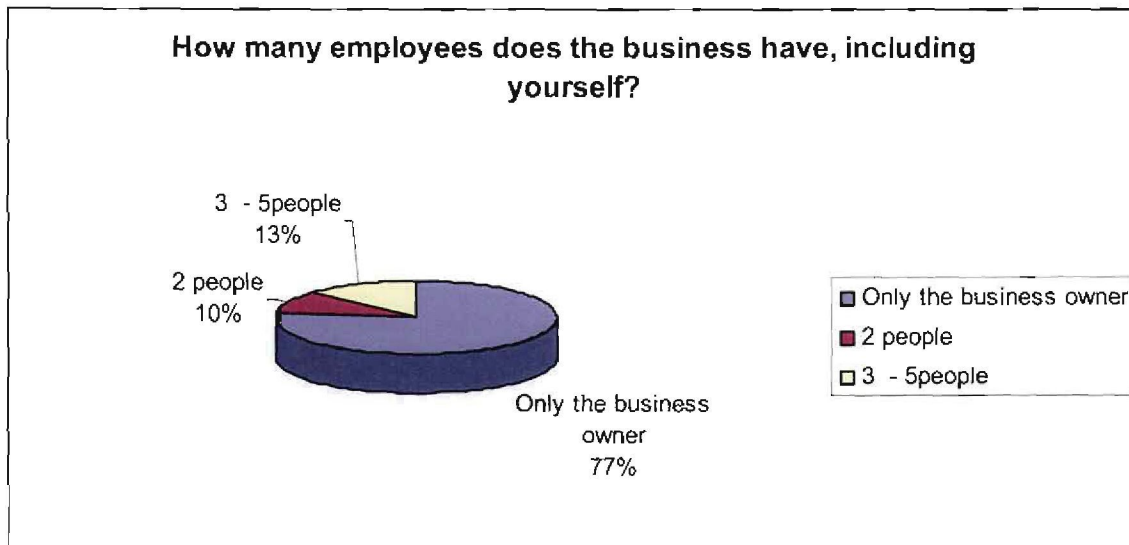
i) Purpose of the question

The purpose of question A2.2 (Appendix A) was to obtain information on the number of employees, including the business owner, employed by the informal business. This question differs from question A1.1 that measured owner involvement.

ii) Results obtained

The number of employees employed by the informal business are graphically presented in the pie chart (refer figure 3.9).

Figure 3.9 Number of employees, including the business owner, who work for the business



iii) Analysis of results

From figure 3.9 it is clear that the majority of participating informal businesses (77%) have only the owner employed. Ten percent (10%) have two people employed (including the business owner) and 13% have between three and five people employed in the business.

3.4.3 Existence of the informal business in the Goldfields

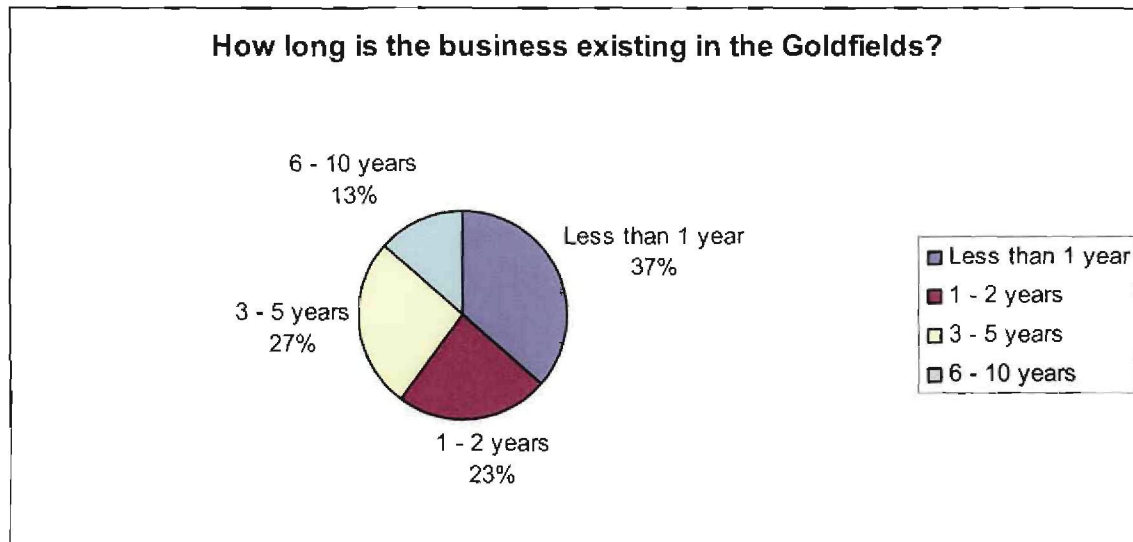
i) Purpose of the question

The purpose of question A2.3 (Appendix A) was to determine the period of existence of the participating informal businesses in the Goldfields. The period of existence can give an indication of the success of the business. This question is different from question A1.6 (Appendix A) as its purpose is to determine existence specifically in the Goldfields.

ii) Results obtained

The pie chart in figure 3.10 graphically indicates the period of existence of the participating informal businesses in the Goldfields.

Figure 3.10 Existence of the informal business in the Goldfields



iii) Analysis of the results

Figure 3.10 indicates that 37% of the participating informal businesses have been in existence in the Goldfields for less than one year. Twenty three percent were in the Goldfields between one and two years and 27% were between three and five years. Only 13% of the participating informal businesses have been in existence in the Goldfields for more than six years.

3.4.4 Merchandise sold by the informal business

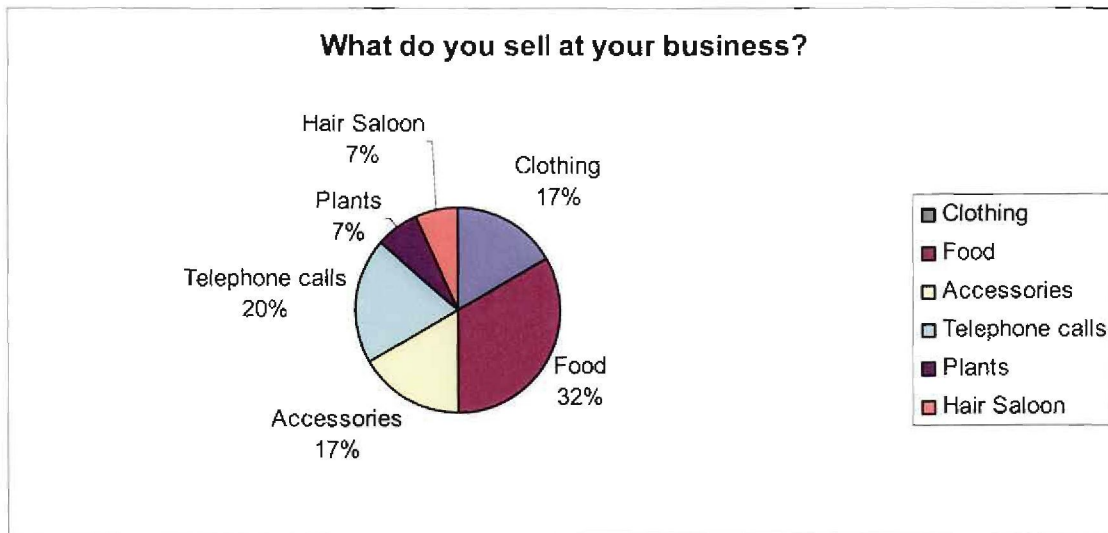
i) Purpose of the question

The purpose of question A2.4 (Appendix A) was to obtain information regarding the specific merchandise the participating informal businesses are selling to the public.

ii) Results obtained

Figure 3.11 gives a graphic presentation of the different merchandise sold by the participating informal businesses.

Figure 3.11 Merchandise sold by the informal business



iii) Analysis of results

The majority (32%) of informal businesses that participated in the study sells food to the public. Twenty percent (20%) of participating informal businesses sell telephone calls from landlines and both clothing and accessories are sold by 17% of the participating informal businesses. Hair Saloons and plant sellers each made up 7% of the participants.

3.4.5 Involvement with research of this kind

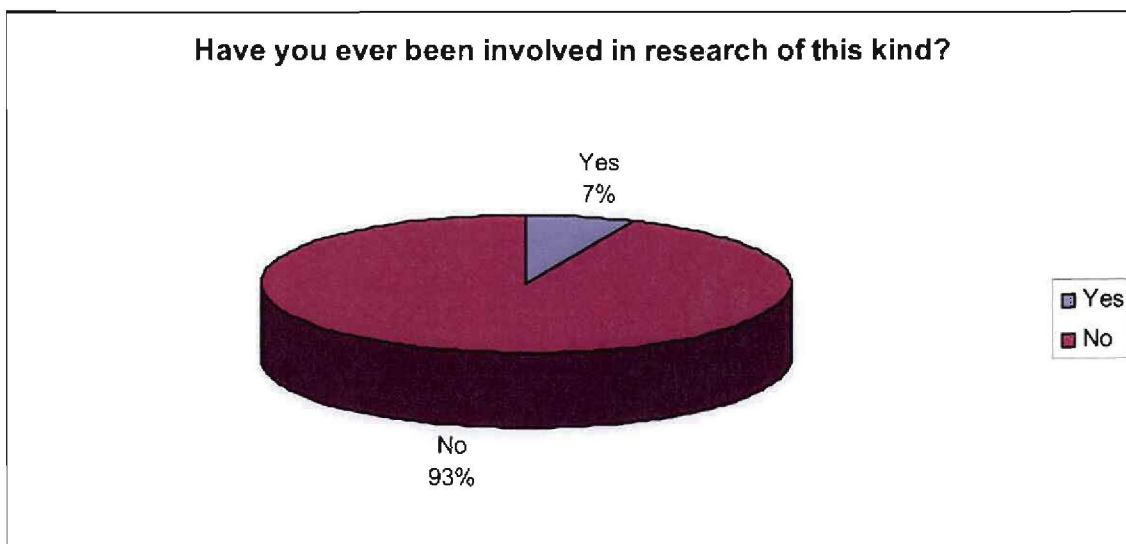
i) Purpose of the question

The purpose of question A2.5 (Appendix A) was to obtain information on whether the participating informal businesses have been part of any research of this kind in the past. Participants had to indicate either “yes” or “no”.

ii) Results obtained

The results obtained from question A2.5 are graphically displayed in the pie chart of figure 3.12.

Figure 3.12 Involvement in research of this kind



iii) Analysis of the results

From figure 3.12 it is clear that the majority (93%) of participants have never been involved in any research of this kind in the Goldfields. Only 7% of the participants indicated that they have been part of research regarding entrepreneurship in the informal sector of the Goldfields.

3.4.6 Business management training provided by local government

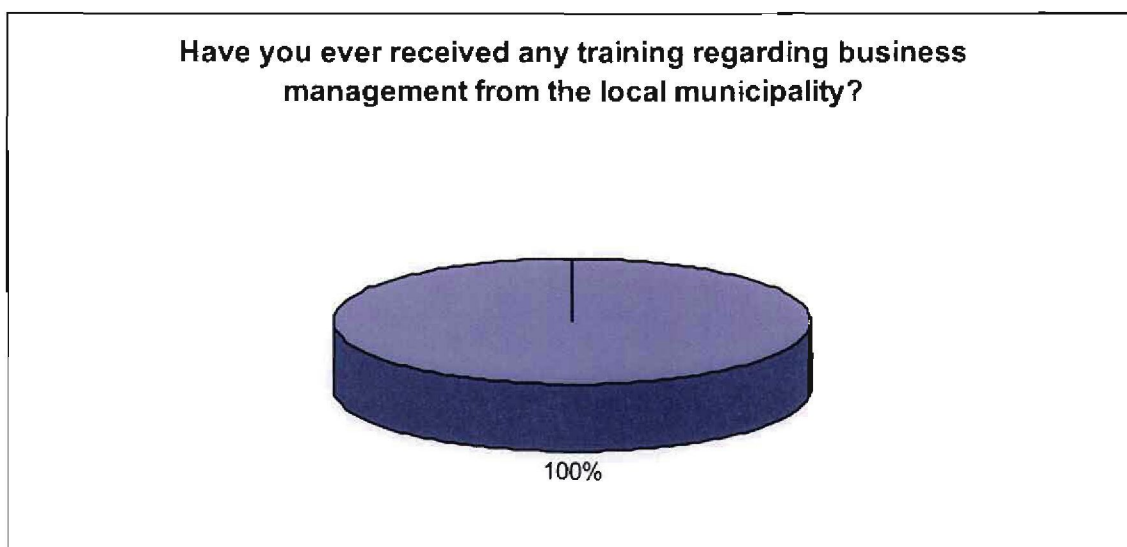
i) Purpose of the question

The purpose of question A2.6 (Appendix A) was to determine whether participating business owners have been involved in any form of training from the local municipality regarding entrepreneurship. The answer to this question could give a vague indication of training initiatives from local municipality regarding entrepreneurship in the informal sector of the Goldfields. Participants were asked to respond with either a “yes” or “no”.

ii) Results obtained

Figure 3.13 present the results of question A2.6 in the pie chart.

Figure 3.13 Business management training provided by local government



iii) Analysis of the results

None of the participating informal businesses have ever received any form of training regarding entrepreneurship from the local government in the Goldfields.

3.4.7 Knowledge of the business owner regarding business assistance

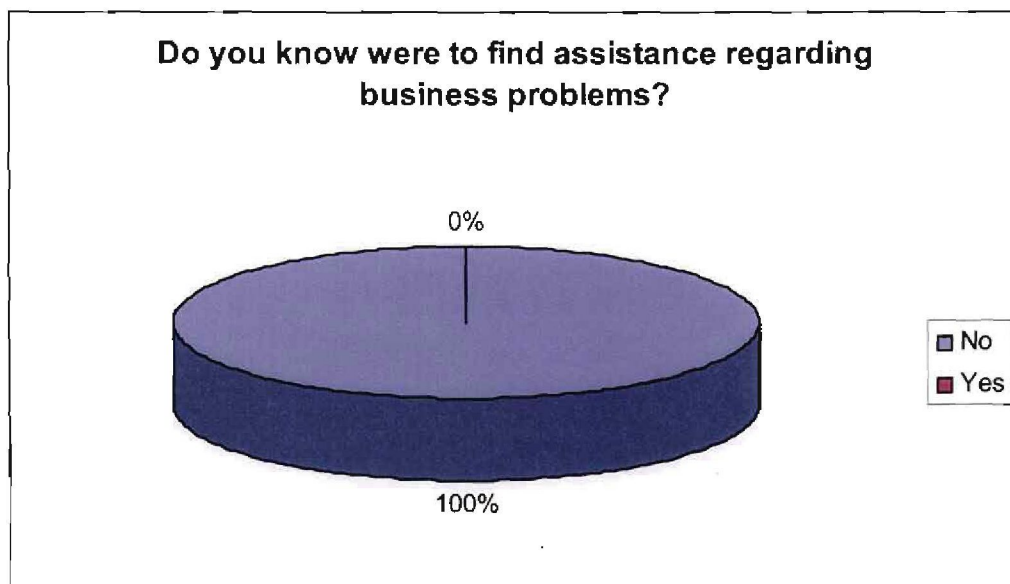
i) Purpose of the question

The purpose of question A2.7 (Appendix A) was to determine whether the participating informal business owners knew where to find assistance regarding business problems. Participants were asked to indicate either “yes” or “no”.

ii) Results obtained

Results obtained from question A2.7 are graphically presented in figure 3.14.

Figure 3.14 Knowledge of the business owner regarding business assistance



iii) Analysis of the results

From figure 3.14 it is clear that none of the participants had any idea where to find business assistance for problems in their businesses.

3.4.8 Type of assistance needed by the business owner

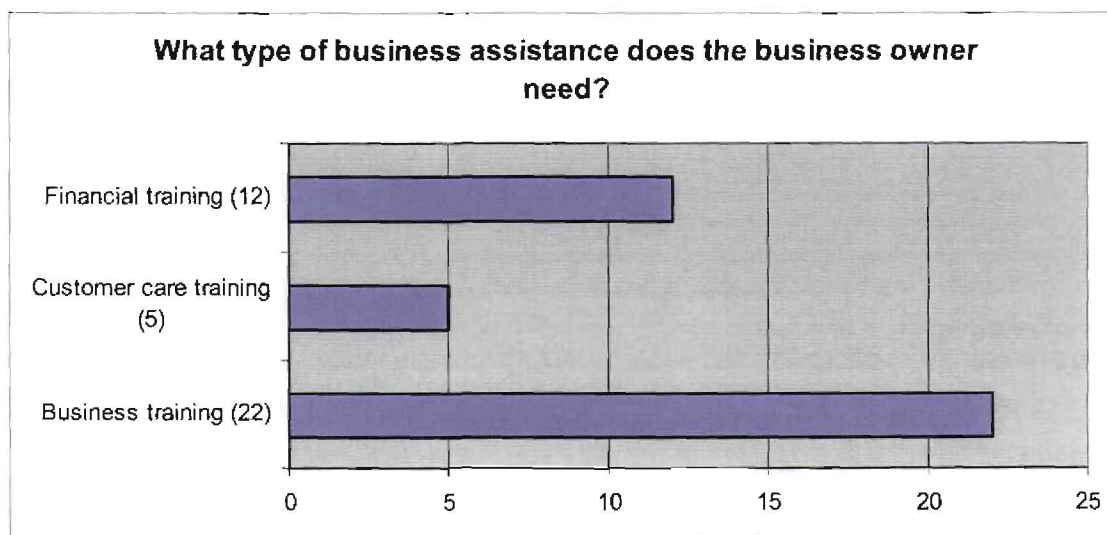
i) Purpose of the question

The purpose of question A2.8 (Appendix A) was to determine what kind of assistance the participating informal business owners need so that the gap in entrepreneurial training could be determined. Participants were asked to choose more than one, if applicable, options from the given list in the questionnaire.

ii) Results obtained

The results of question A2.8 are graphically displayed in the pie chart (refer figure 3.15).

Figure 3.15 Type of assistance needed by the business owner



iii) Analysis of the results

The results of question A2.8 indicate that the majority, twenty two, of participating informal business owners needed business training. Twelve of the participants indicated that they needed financial training and five indicated that their businesses would benefit from training in customer care.

3.5 SKILLS LEVELS OF THE PARTICIPATING ENTREPRENEURS

3.5.1 Social influences on the entrepreneur

Educational influence on the informal entrepreneur

i) Purpose of the question

The purpose of question B1.1.1 (Appendix A) was to determine the impact of education as a social influence on the informal entrepreneur. This question was already answered in question A1.5 and results were illustrated in figure 3.5.

Family influence on informal entrepreneur's decision to become an entrepreneur

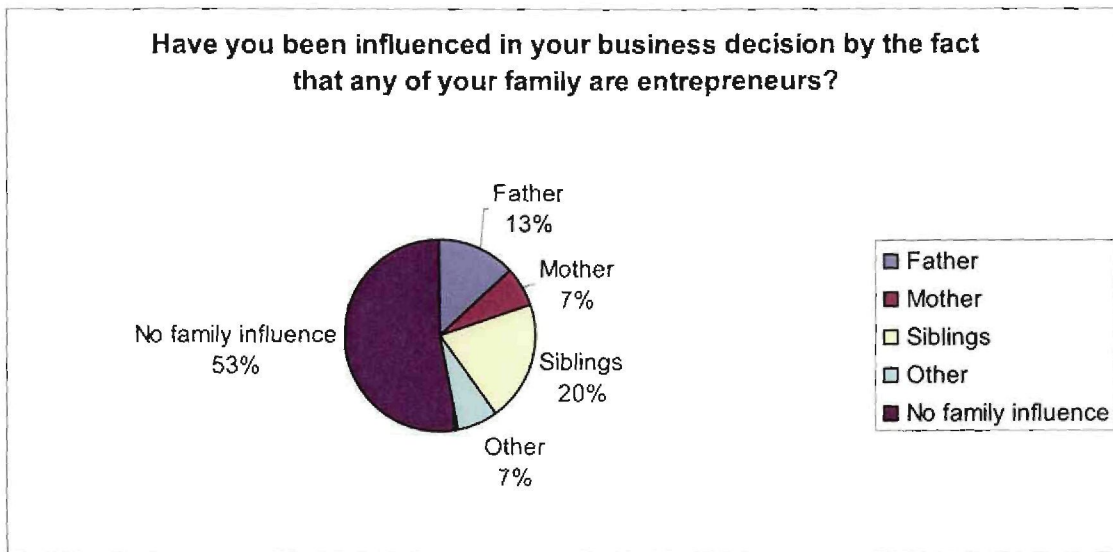
i) Purpose of the question

The purpose of question B1.2.1 (appendix A) was to determine whether the participating informal entrepreneurs had any entrepreneurs in their family. The answer to this question could possibly be used in a conclusion about family influences, but does not necessarily indicate a definite relationship. Participants were asked to choose from various options provided in the questionnaire.

ii) Results obtained

The results from question B1.2.1 are graphically displayed in a pie chart as shown in figure 3.16.

Figure 3.16 Family influences on the entrepreneurs' business decision



iii) Analysis of results

Informal entrepreneurs responded to the question by indicating that 13% of the entrepreneurs had fathers who were entrepreneurs and 7% responded that their mothers were entrepreneurs. Twenty percent (20%) indicated that their siblings were informal entrepreneurs and 7% of the participating informal entrepreneurs indicated that they knew non-family members who were entrepreneurs. The majority of participants indicated that they were not influenced by anyone to become informal entrepreneurs.

The main reason for starting an entrepreneurial business

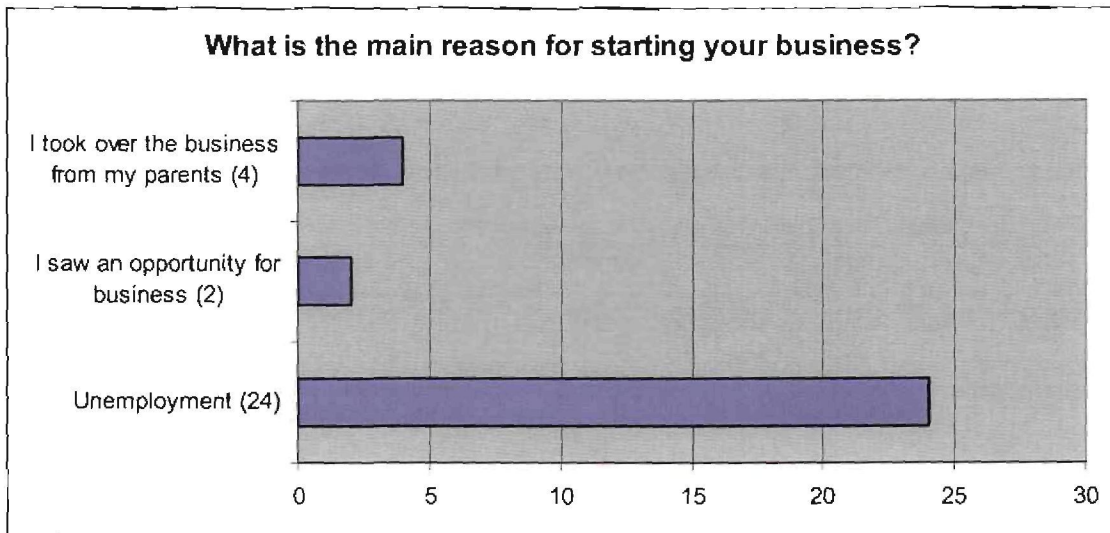
i) Purpose of the question

The purpose of question B1.2.2 (Appendix A) was to determine why the participants started their informal businesses. Participants were asked to select an option from a list of suggested answers on the questionnaire.

ii) Results obtained

Figure 3.18 graphically displays the results from question B1.2.2 in the form of a bar chart (refer figure 3.17).

Figure 3.17 The main reason for starting an entrepreneurial business



iii) Analysis of the results

From figure 3.17 it is clear that the majority of informal entrepreneurs (24) decided to enter the informal sector due to unemployment. Four participants took the business over from their parents and only two participants saw a business opportunity in the market.

3.5.2 Psychological influences on the entrepreneur

Communication skills: True statement about the entrepreneur

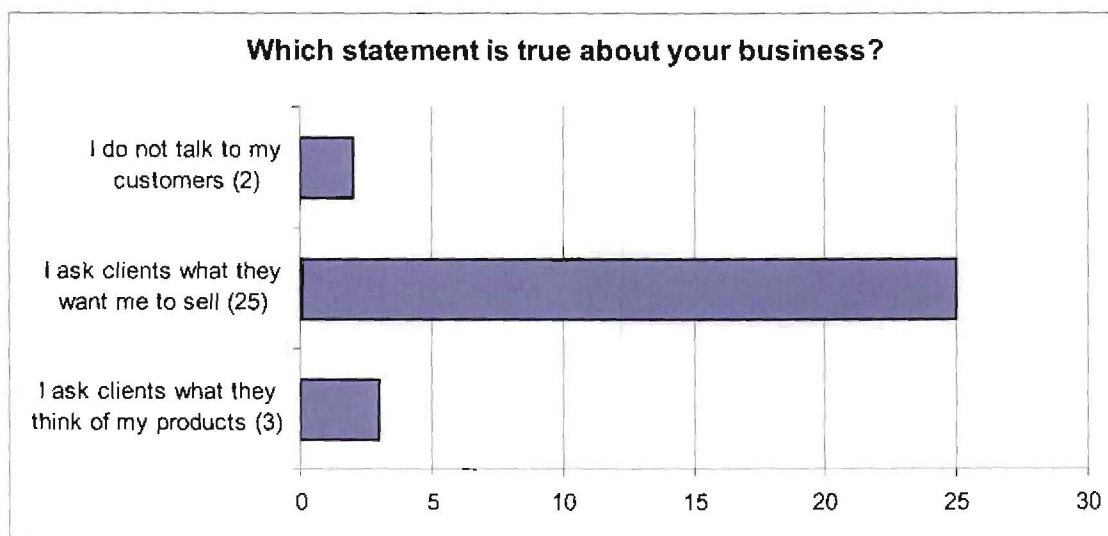
i) Purpose of the question

The purpose of question B2.1.1 (Appendix A) was to measure the informal entrepreneur's communication capabilities with his/her clients. Participants were asked to choose which one of the given statements was true regarding his/her business.

ii) Results obtained

Responses from the informal entrepreneurs regarding question B2.1.1 are graphically illustrated in the bar chart of figure 3.18.

Figure 3.18 True statement about the entrepreneur



iii) Analysis of the results

The bar chart in figure 3.18 indicates that 25 of the 30 participating informal business owners indicated that they ask their customers what they want them to sell. Three out of the thirty participants said that they ask their customers what they think of the products

sold in their businesses and only two participants replied that they do not like to talk to their customers.

Business skills: Influencing factors on the business

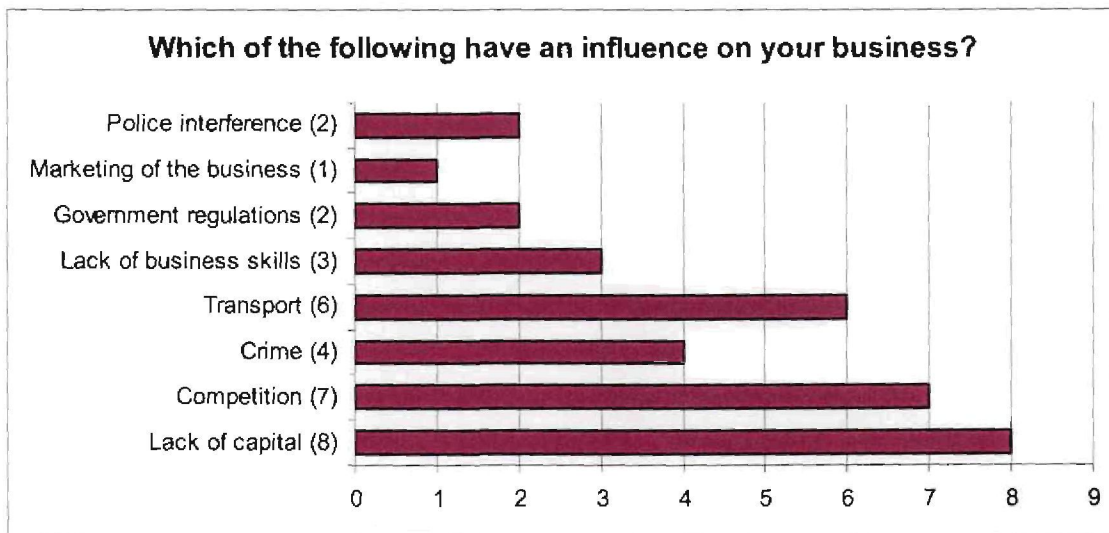
i) Purpose of the question

The purpose of question B2.2.1 (Appendix A) was to determine which factors in the business environment has an influence on the management of the informal business. Participants were given different options obtained from previous interviews to choose from. Participants could choose more than one answer.

ii) Results obtained

The results obtained from question B2.2.1 are graphically presented in the bar chart in figure 3.19.

Figure 3.19 Influencing factors on the business



iii) Analysis of the results

Influencing factors on informal businesses have the following effect on business owners: Two (2) of the 30 participants complained about police interference, one (1) participant experience difficulties with the marketing of his business. Two (2) participants indicated that government regulations created problems for the management of their businesses and three (3) respondents replied that their lack of business skills hampered their business's performance. Six of the thirty participants indicated that transport to and from their business stands created problem for them. Another four (4) participants were worried about the effect of crime on their businesses. Competition had a negative effect on the businesses of seven (7) of the participants and the majority of participants (8) responded that lack of capital affects their businesses in a negative way.

Business skills: The entrepreneurs' knowledge of a business plan

i) Purpose of the question

The purpose of question B2.2.2 (Appendix A) was to determine whether the participating informal entrepreneurs have any knowledge of a basic management skill in the form of compiling a business plan. Participants had to indicate whether they have a business plan for their business or not and whether they know how to compile a business plan.

ii) Results obtained

Results from question B2.2.2 are graphically displayed in the column chart of figure 3.20 and the bar chart of figure 3.21.

Figure 3.20 The entrepreneurs' usage of a business plan

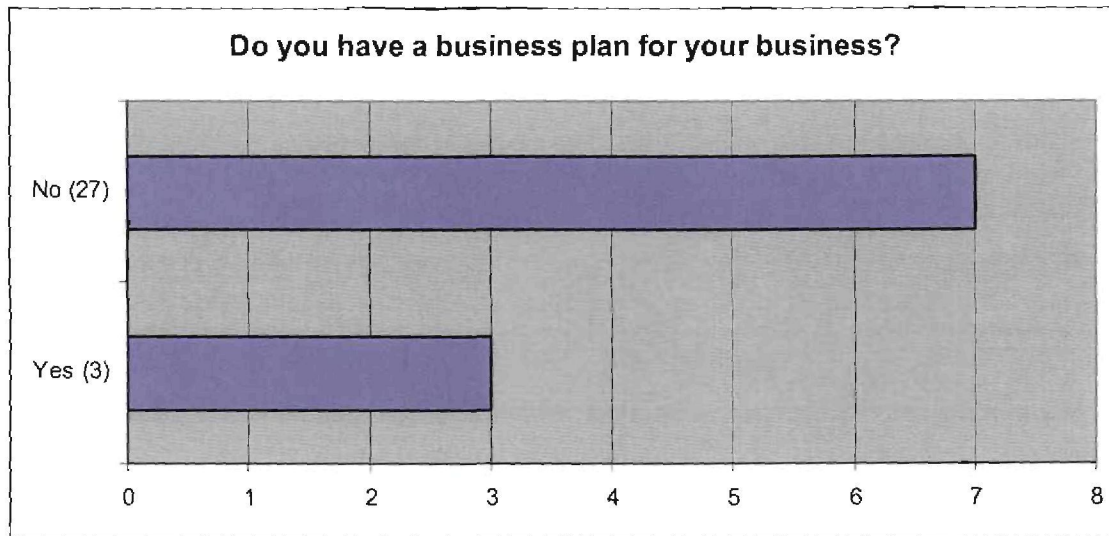
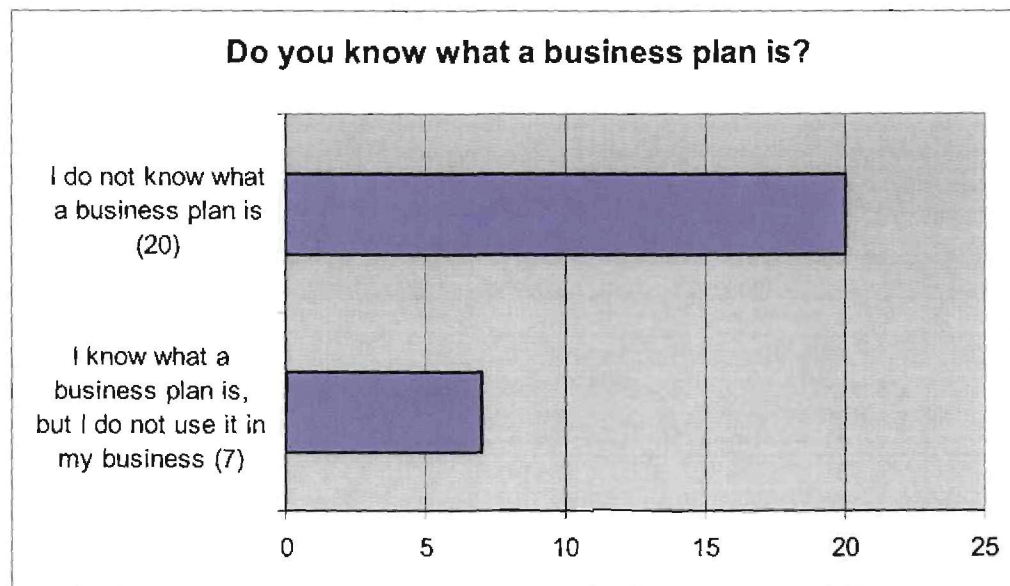


Figure 3.21 The entrepreneurs' knowledge of a business plan



iii) Analysis of the results

Results from question B2.2.3 indicate that only three of the participating informal entrepreneurs had a business plan for their businesses. Twenty seven of participants did not have a business plan. Of these twenty seven participants, only seven knew what

a business plan is, but do not use it in their businesses. Twenty of the participants did not know what a business plan is (refer to figure 3.21).

Financial skills: Separate bank account for the business

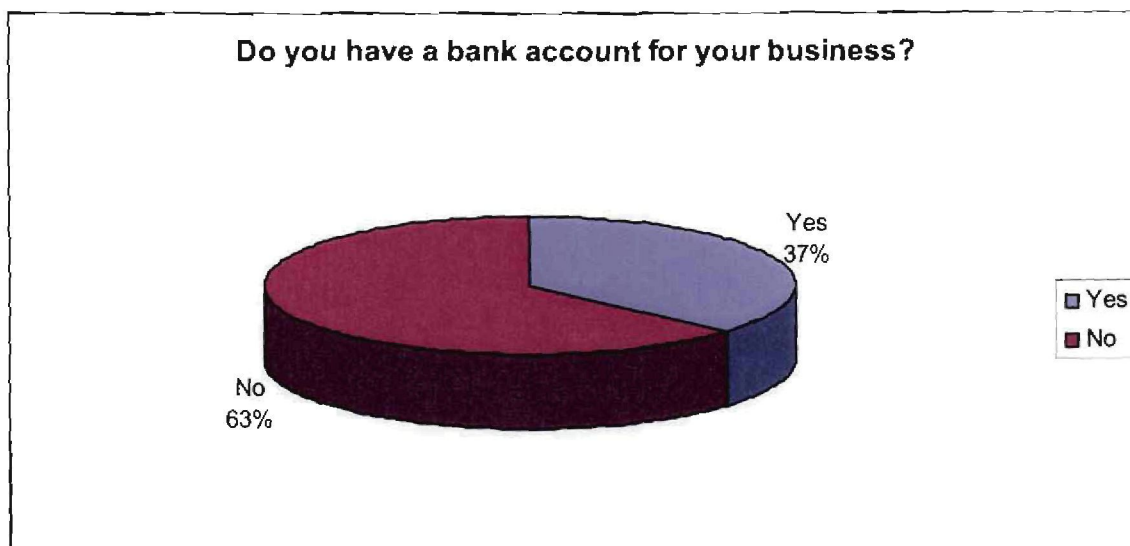
i) Purpose of the question

The purpose of question B2.3.1 (Appendix A) was to determine whether the participating informal entrepreneurs had separate bank accounts for their businesses. The answer to this question also gives an indication of the profitability of the business. Participants had to respond with either “yes” or “no”.

ii) Results obtained

Results of question B2.3.1 are graphically presented in figure 3.22.

Figure 3.22 Separate bank account for the business



iii) Analysis of the results

Figure 3.22 gives a clear indication that the majority (63%) of participating informal entrepreneurs did not have a separate bank account for their business. Thirty seven percent (37%) did have a separate bank account for their business.

Financial skills: Business income banked

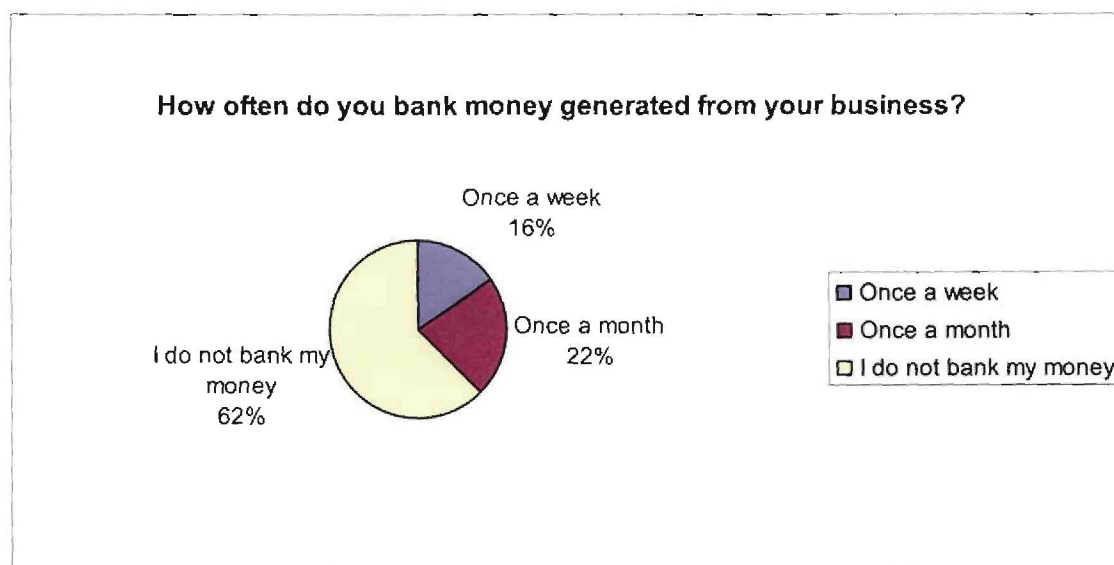
i) Purpose of the question

The purpose of question B2.3.2 (Appendix A) was to determine how often the participating informal entrepreneurs bank money generated from their businesses. Analysis of question B2.3.1 indicated that 63% of the informal entrepreneurs did not bank money generated from their businesses. The answer to Question B2.3.2 is thus based on the remaining 37% who do bank their money. The answer to this question also gives an indication of the profitability of the business. Participants had to select the correct applicable option.

ii) Results obtained

Results attained from question B2.3.2 are graphically displayed in the pie chart in figure 3.23.

Figure 3.23 Business income banked



iii) Analysis of the results

From the 37% of informal entrepreneurs who indicated that they do bank money generated from their businesses, 58% indicated that they bank once a month and 42% bank once a week.

Financial skills: The entrepreneurs' knowledge of the compilation of a budget

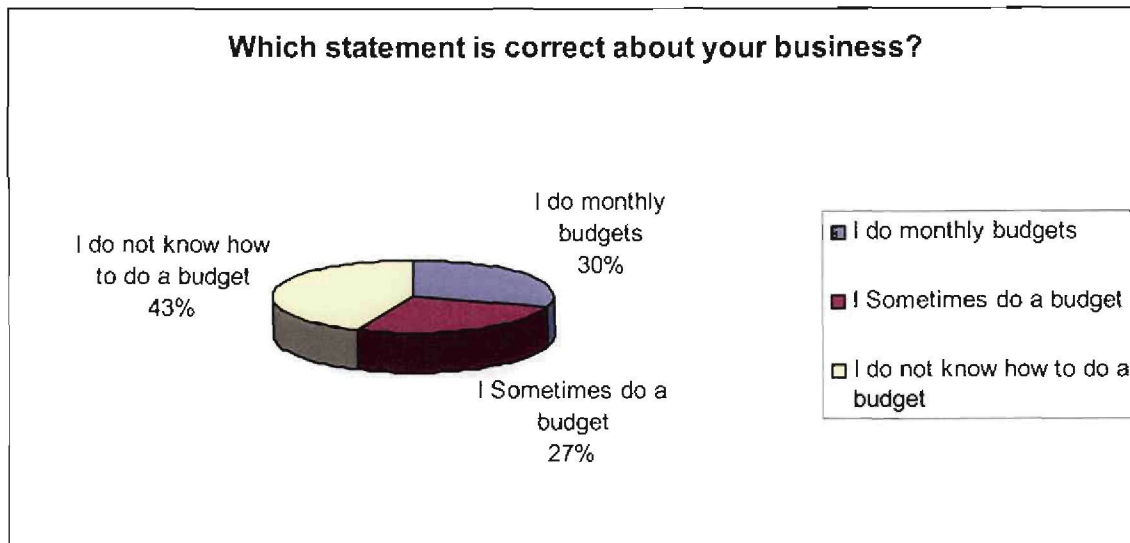
i) Purpose of the question

The purpose of question B2.3.3 (Appendix A) was to determine whether the participating informal entrepreneurs had any knowledge of the compilation of a budget. The questionnaire presented them with options of which they had to choose.

ii) Results obtained

Results from question B2.3.3 are graphically displayed in the pie chart of figure 3.24.

Figure 3.24 The entrepreneurs' knowledge of the compilation of a budget



iii) Analysis of results

Figure 3.24 indicates that 43% of the participants do monthly budgets and 27% only sometimes do budgets for their businesses. Forty three percent (43%) of the participants do not know how to compile a budget for their businesses.

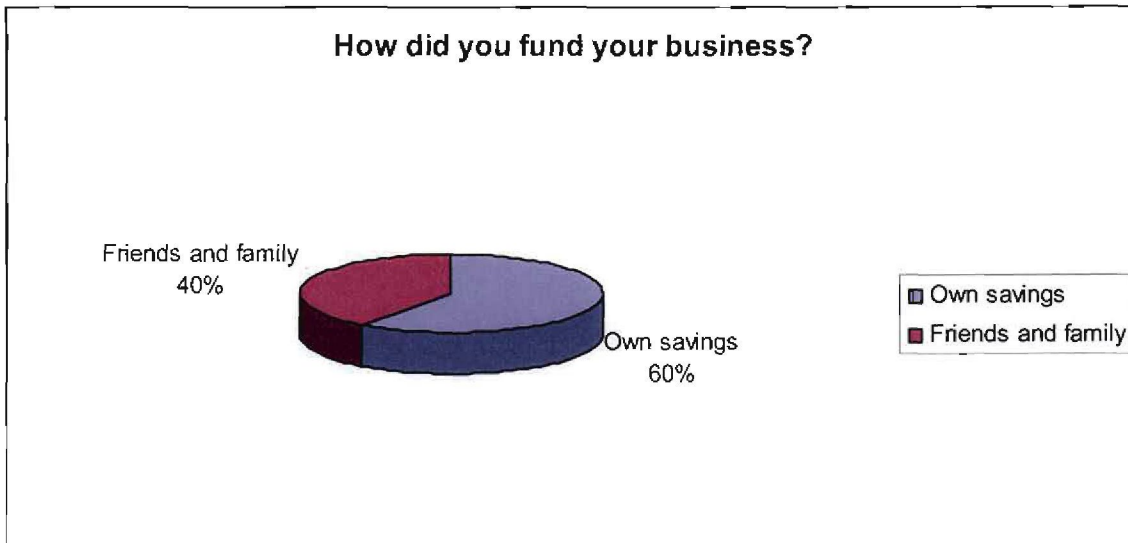
Financial skills: Funding of the start-up business

i) Purpose of the question

The purpose of question B2.3.4 (Appendix A) was to determine what means the informal entrepreneur used to fund his/her start-up business.

ii) Results obtained

Figure 3.25 gives a graphical presentation of the results obtained in question B2.3.4.

Figure 3.25 Funding of the start-up business

iii) Analysis of results

Figure 3.25 indicates that 60% of the participating informal entrepreneurs used their own savings to start their businesses and 40% borrowed money from friends and families. None of the participants got a loan from the bank to finance their start-up businesses.

Marketing skills: The entrepreneurs' methods of creating awareness of his business amongst the public

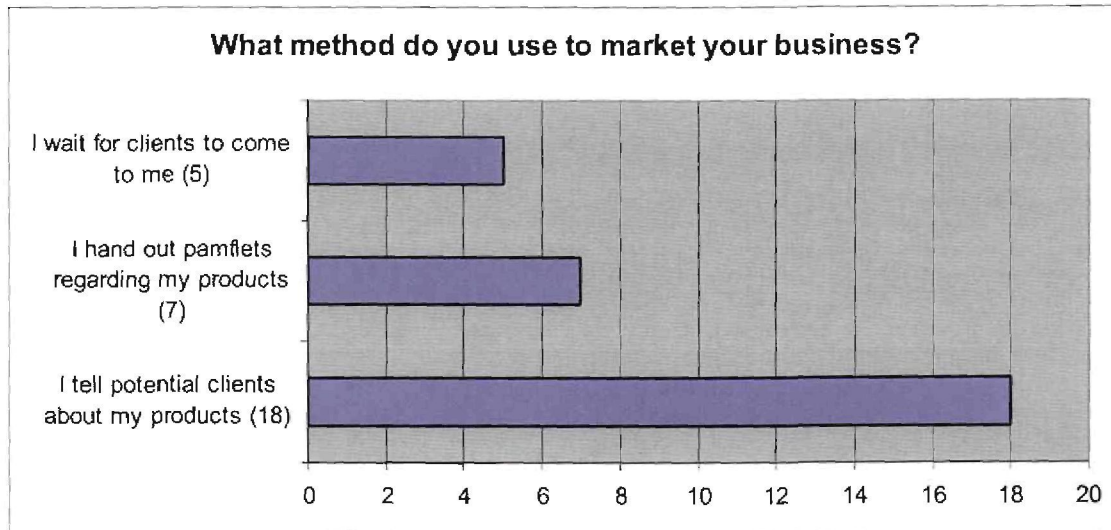
i) Purpose of the question

The purpose of question B2.4.1 (Appendix A) was to determine the marketing skills of the entrepreneur. Participants were given specific options relating to the marketing of their business of which they had to choose the most suitable answer.

i) Results obtained

Results obtained from question B2.4.1 are graphically presented in the bar chart of figure 3.26.

Figure 3.26 The entrepreneurs' methods of creating awareness of his business amongst the public



ii) Analysis of results

From figure 3.26 it is clear that the majority (18 out of 30) participants tell potential clients about the products that they sell in their businesses. Seven of the thirty participants hand out pamphlets regarding their products to the public. Another five percent of the participants replied that they rather wait for customers to come to their shop than attracting them.

Human relation skills: Employees of the business

i) Purpose of the question

The purpose of question B2.5.1 (Appendix A) was to determine whether the participating business owners had any employees in their business. Participants had to indicate whether they had any employees or not, and if they did, how many.

ii) Results obtained

Results from question B2.5.1 are graphically displayed in the pie chart of figure 3.27 as well as in table 3.1.

Figure 3.27 Employees of the business

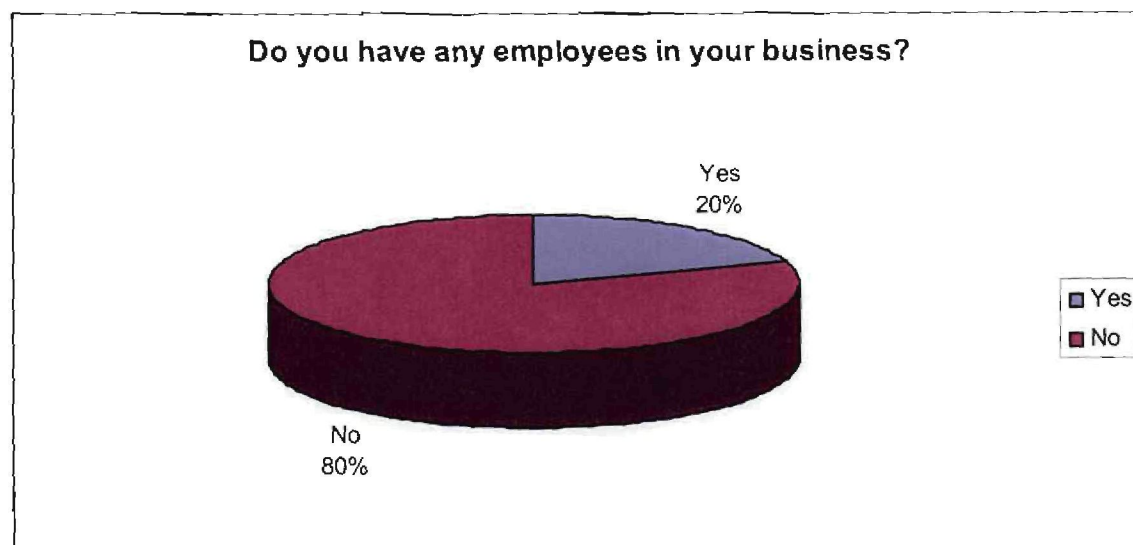


Table 3.2 Number of employees in the business

None employees	24
2 Employees	4
3 Employees	2
TOTAL:	30

iii) Analysis of the results

From figure 3.27 it is clear that the majority of participants (80%) did not have any employees in their businesses and thus run the business on their own. Only 20% had employees in their businesses. Table 3.2 indicates that from the 20% of businesses with employees, 4 business owners had 2 employees and 3 business owners had 2 people employed.

Technical skills: Technical equipment used in the business

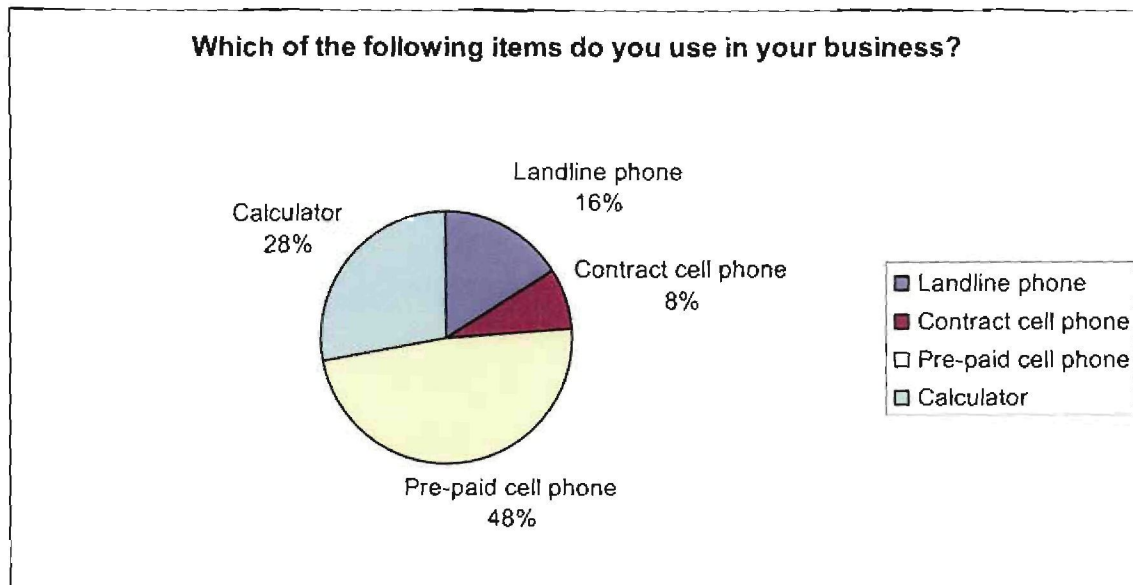
i) Purpose of the question

The purpose of question B2.6.1 (Appendix A) was to determine what technical equipment business owners use in their informal businesses. The answer to this question will also indicate whether participants possess the necessary technical equipment to manage their businesses. Participants were presented with a list of general technical equipment used in a normal business and were asked to choose more than one option if applicable to their business. Participants were specifically asked whether they use the specific equipment in the business and not just for personal purpose, e.g. cell phones and calculators.

ii) Results obtained

Results from question B2.6.1 are graphically displayed in a pie chart (refer to figure 3.28 (on the next page).

Figure 3.28 Technical equipment used in the business



iii) Analysis of the results

Figure 3.28 indicates that 48% of the participants used pre-paid cell phones in their businesses. Twenty eight percent (28%) make use of a calculator and 16% uses a landline phone in their informal businesses. Contract cell phones were only used by 8% of the participants in the running of their businesses. None of the participants made use of fax machines, internet or computers in their businesses.

Information seeking skills: True statement about the information seeking skills of the entrepreneur

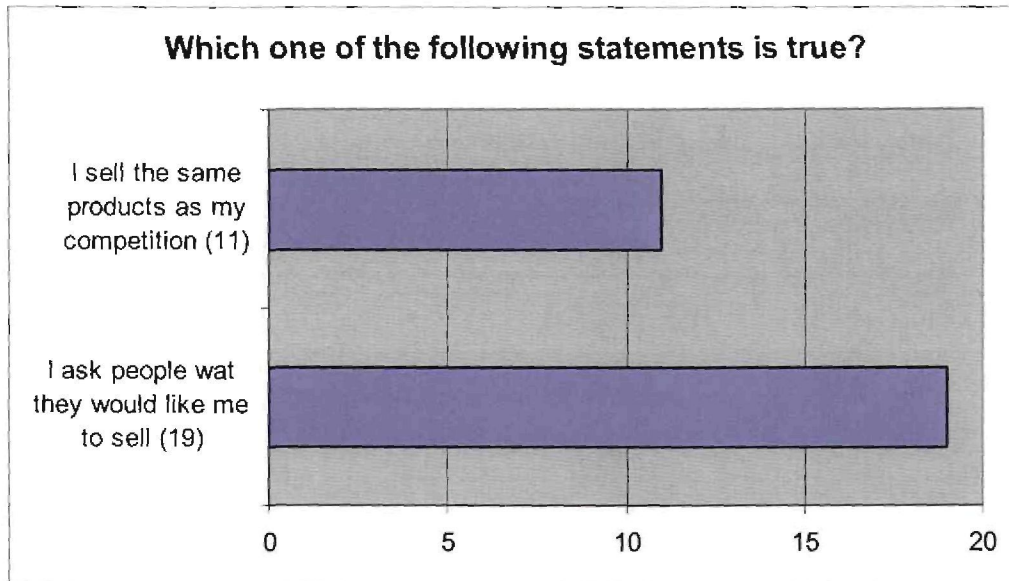
i) Purpose of the question

The purpose of question B2.7.1 (Appendix A) is to determine the information seeking skills of the informal business owner regarding managing his/her business.

ii) Results obtained

Figure 3.29 graphically presents the results of question B2.7.1.

Figure 3.29 True statement about the information seeking skills of the entrepreneur



iii) Analysis of the results

Nineteen (19) of the participants indicated that they ask customers what they should sell to them in their businesses and eleven (11) participants indicated that they sell the same products as their competition.

3.5 SUMMARY

In this chapter theoretical research from chapter 2 was compiled in the form of a questionnaire. The information that was gathered helps to draw a profile of the informal entrepreneur in the Goldfields.

Participants were asked to complete the questionnaire to which consisted of questions regarding bibliographical information of the business owner, the structure of the business and the current skills levels of the informal entrepreneurs.

Results from the questionnaire are analysed and graphically displayed in this chapter. Conclusions and recommendations will be given in chapter four.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

In this chapter, conclusions and recommendations will be given, based on the factors that ensure effectiveness of enterprises in the informal entrepreneurial field as evaluated during the literature review study (Chapter 2) and the empirical study (Chapter 3).

Evaluations will be done to determine if the primary and secondary objectives, as identified in Chapter 1, were realized. Recommendations for future research will be made and the study will be concluded with a summary of the study.

4.2 BIBLIOGRAPHICAL INFORMATION OF THE ENTREPRENEUR

The following conclusions have been reached on the basis of the empirical research findings contained in the study. An empirical study was undertaken using thirty entrepreneurs in the informal sector of the Goldfields. The conclusions are drawn based only on the findings as analysed in chapter 3.

- **Owner involvement in the business.** The majority of interviewed entrepreneurs were personally involved in their businesses. These people sit at their shops and are personally involved in their businesses. These entrepreneurs were very clear on the fact that even though they do have other issues to attend to, they can not afford to pay someone to attend to the business. Only a few entrepreneurs paid other people to manage their businesses while they attend to other issues e.g. small children or grandchildren.
- **Gender of the business owner.** Results from this question indicate that there is definitely a majority of woman entrepreneurs in the informal sector of the Goldfields. From the interviews it was clear that most of the woman have unemployed husbands

and big families to support. The male business owners were not directly involved in their businesses and employed woman to attend to customers. Their entrepreneurial businesses mostly involved selling landline telephone calls.

- **Age group of the business owner.** Results from this survey showed that the majority of the interviewed entrepreneurs were between the age of forty and forty nine. The participants in this specific age group made it clear in the interviews that they are mothers and grandmothers with large families to support.
- **Mother language of the business owner.** The majority of participating entrepreneurs are Sotho speaking. This was expected as Sotho is the main African language used in the Free State. The minority group was Xhosa speaking, but all the participants could either understand or speak English or Afrikaans.
- **Educational level of the business owner.** Very few participants had an educational level of lower than standard three and standard five. These people were mostly in the in the forty to fifty nine age groups. The reason for this could be the fact that these people had their education in the pre-1994 regime. Most of the participants had a school education of six to eight. A surprising 27% of the participants had an education level of standard nine to ten. These people were asked why they did not use their qualification to get a higher income job and everyone replied that they did try, but without success. None of the participating entrepreneurs had ever been involved in any form of tertiary education of training.
- **Period of existence of the enterprise in the informal sector.** Most of the entrepreneurs were part of the informal sector for less than two years. Many of them were over thirty years of age and were asked why they did not start an informal business earlier. The majority response was that they were involved in looking after children and grandchildren, but were forced to get another income due to high cost of living. They replied that some of the older children are now taking care of the younger ones while they are attending to their businesses.
- **The number of people depending on the income generated from the business.** The result of this question reflects the devastating fact which is such and everyday sight, but not often talked about fact in South Africa. Half of the participants had three to five people depending on the small income generated from the business.

The dependants include a husband, children and grand children. Ten of the participants had to support six to ten people. None of the participants were the only dependant on the business income. This proofed that the participating entrepreneurs were forced in the informal sector due to poverty and not enrichment.

4.3 STRUCTURE OF THE PARTICIPATING BUSINESSES

- **Monthly income generated by the businesses.** Results from the questionnaire indicated that only ten percent of the participants generated between R1000 and R2000 per month from their businesses. An alarming ninety percent of the participants indicated that they generated less than R1000 per month. Most of these participant supported families of more than three people with a monthly income of less than R1000. The subjects were asked during an interview if they were the only breadwinners in their families and the vast majority replied that their husbands either passed away, left or were unernployed.
- **The number of employees, including the business owner, who work for the business.** Results of this question were discussed in section 4.2.
- **The period of existence of the business in the Goldfields.** Thirty seven percent of the participants were doing business in the informal sector of the Goldfields for less than one year. The rest were in the Goldfields for between two and five years.
- **Merchandise sold by the informal business.** Food, consisting of fruit, vegetables, sweets and cooked food is sold by thirty two percent of the participants. During the interview the participants did complain that not having access to refrigerators was creating problems for them. The fruit and vegetables do not stay fresh for long. Little access to running water near their shops also created hygiene problems for those selling cooked food to the public. Seventeen percent of the participants sell accessories like sunglasses, jewellery, cell phone covers and key holders. Entrepreneurs at land line booths accounted for twenty percent of the interviewed participants. Only seven percent of the informal entrepreneurs sell plants, as this type of product needs constant care and is difficult to transport. Entrepreneurs

running hair saloons from caravans were seven percent of the interviewed participants.

- **Involvement in research of this kind.** Very few participants (seven percent) have ever been part of research regarding entrepreneurial business skills. Those who have been part of similar research could not remember the inquiring institution, as this was a very long time ago. Ninety three percent of the subjects have never been part of any research regarding entrepreneurial skills in the informal sector of the Goldfields.
- **Business management training done by local government.** None of the participants have ever received any form of training regarding entrepreneurship or business management from the local municipality or any other institution. All of the participants were very hungry for training and felt that they could enhance their skills and therefore run a more profitable business.
- **The knowledge of the business owner regarding business assistance.** None of the informal entrepreneurs had any idea of where to find business assistance. They were afraid to ask the local municipality as some of them did not have a permit to run their businesses on the side walks.
- **The type of assistance needed by the business owner.** Twenty two of the participants indicated that they would like to have business training in the form of conducting business plans, ordering goods, planning and organizing business activities. Five were interested in customer relations training and twelve were interested in financial training regarding basic accounting methods, business plans and budgeting.

4.4 SKILLS LEVELS OF THE PARTICIPATING ENTREPRENEURS

4.4.1 Conclusion on the social influences on the entrepreneur

Many social factors have an influence on the business decision and performance of the *informal entrepreneur*.

- **Educational influence on the informal entrepreneur.** The results of this question (refer Appendix A) showed that there is an educational influence on the performance of the participants. This question was discussed in section 4.3.
- **Family influence on the informal entrepreneur.** Results from this question indicated that only thirteen percent of the participants' fathers were entrepreneurs and seven percent of their mothers were entrepreneurs. This indicates that times are definitely changing regarding the gender roles of entrepreneurs as only 27% of the participants in this study were male and 73% were female. More than fifty percent of the respondents replied that they were not influenced by anyone to become entrepreneurs, but were forced due to unemployment.
- **The main reason for starting the entrepreneurial business.** The main reason for the vast majority (80%) of the participants started their informal businesses due to unemployment. A small number of participants took over the business from their parents or saw a real business opportunity in the market.

4.4.2 Conclusion on the psychological influences on the entrepreneur

- **Communication skills**
 - The majority of the participants ask their customers what they would like them to sell. Many replied that regular customers ask them to sell certain items. Ten percent of the participants indicated that it is important to them to find out what customers think of their products and seven percent replied that they did not like to talk to their customers.

- **Business skills**
- **Influencing factors on the business.** Police interference had an influence on seven percent of the business owners. According to them, they are sometimes harassed and chased away by the police, who then confiscate their goods. The marketing side of the business created problems for three percent of the participants. Government regulations like permits had a negative influence on seven percent of the participants as they found it difficult to apply and obtain permits from the local municipality. These permits do not cost anything, but people are not sure where to apply for them. This created suspicion regarding the questionnaires as some of the participants were afraid they would be asked about their permits. Ten percent of the participants had a lack of business skills hampering their profitability.

Transport created problems for twenty percent of the entrepreneurs because of the fact that they had to transport all their goods to and from their homes every day. Transport is very expensive and some taxi drivers have problems with the bags of goods that need to be transported. Thirteen percent of the participants were constantly afraid of crime. The majority of the participants are woman who felt vulnerable and unsafe, especially when travelling home in the afternoons. Many have been robbed and according to them, the police are not always responding to their plights for safety.

Another twenty three percent felt that competition is hampering their ability to make profit. When one entrepreneur starts selling a popular item, everybody is selling it the next day.

- **The entrepreneurs' knowledge of a business plan.** Only ten percent of the participants had business plans for their businesses and knew how to formulate one. The rest did not have a business plan and had no idea how to formulate one. It is clear from the interviews that these entrepreneurs were very keen to learn about the

formulation of a business plan and many said that they know it would help them run their businesses in a more profitable manner.

- **Financial skills**

- **Separate bank account for the business.** Sixty three percent of the participants did not have a separate bank account for their businesses. According to them they never had money to bank and they did not want to pay the banking fees. They do not have a chance to save money in a bank account. This creates problems when new stock needs to be bought. Thirty seven percent of the participants did have a bank account, but most of them only banked their money once a month (see the next paragraph).
- **Business income banked.** The most important influence on the effective running of their businesses is a lack of capital. These entrepreneurs do not even make enough to bank their money. Many complained that there is money immediately used for food, clothes and school fees. There is no constant cash flow, which means that they struggle to buy new products for their businesses.
- **Entrepreneurs' knowledge of the formulation of a budget.** Most of the participants responded that they did not do a budget for their business. Thirty percent do monthly budgets and twenty seven percent replied that they only sometimes do a budget. These participants did show primitive ways of bookkeeping which was quite surprising. They therefore do have budget/bookkeeping skills which need to be developed in a more structured manner.
- **Funding the start-up business.** It is clear from the research that none of the participants started their business with a loan from the bank. According to them, they did not know what procedures to follow to be able to apply for a loan. Sixty percent of the entrepreneurs used their own savings to start their business. Forty percent of the participants received money from family and friends to fund their start-up business.

- **Marketing skills**

- **The entrepreneurs' efforts to create awareness of his business amongst the public.** Research from this study showed that seventeen percent of the participants do not market their shops or products and rather wait for the customers to come their way. Twenty three percent of the participants replied that they hand out pamphlets to potential customers and sixty percent of the participants tell potential customers about their shops and products and invite these clients to their businesses.

- **Human relation skills.**

- **Employees of the business.** Only twenty percent of the participants had someone who works for them. Most of these businesses were involved in the selling of phone calls to the public. These business owners were all male who employed women to attend to their businesses. These employees did not earn much as the businesses did not make big profits. Their duties are to sell to the public and basic administration functions. Most of the participants did not have anyone who work for them and rather attend to customers themselves. They indicated that they could not afford to pay anyone from their already small income.

- **Technical skills**

- **Technical equipment used in the business.** Most of the participants had pre-paid cell phones which they used for personal and business purposes. Only eight percent had contract cell phones. Sixteen percent of the participants used landline phones in their businesses, but most of these businesses actually involved selling landline phone calls to the public. Calculators are used by forty eight percent of the participants to do business calculations. Many replied that they do not actually have a calculator, but use the calculating function on their cell phones. None of the

business owners had access to computers or the internet. No one used fax machines in their businesses.

- **Information seeking skills.** Sixty three percent of the participants ask potential clients what they want them to sell in their shops. The rest of the participants replied that they sell what other entrepreneurs sell. They also sell those items that are in demand. This created problems for informal entrepreneurs in the form of competition.

4.5 RECOMMENDATIONS

To improve the current situation in the informal sector of the Goldfields, the following is recommended:

- More research could be done on a bigger sample to get a better picture of the needed business skills. More participants could give a better representing picture of the informal sector in the Goldfields. This is definitely an open field for research as so much could be learned and done to help this sector perform better.
- Local government and SEDA needs to be more involved in finding a solution to the skills problems. These players need to be made aware of the lack of entrepreneurial skills and a plan should be made, together with service providers and new venture creation initiatives to accommodate this sector.
- A skills program or learnership needs to be put in place to assist the informal entrepreneurs in the Goldfields. This would mean that funding should be given for the development of skills programmes and the sustainability thereof.
- Entrepreneurs should be given information on free business assistance. If no assistance is currently available, as could be the case in the Goldfields, drastic measures should be put in place to accommodate this problem.

- Free entrepreneurial workshops could enhance entrepreneurial skills. There are many lecturers and subject matter experts in the Goldfields that could assist with workshop of this kind.
- Local government could make the process for applying for permits less complicated. If every informal entrepreneur were able to have a permit, it could make control and statistics more accurate. A person could be appointed to visit all the informal entrepreneurs and assist them on the street walks to apply for their free permits.
- Better and safer conditions, like availability of municipal water and police assistance, could create a more secure entrepreneurial environment.

4.6 ACHIEVEMENT OF THE STUDY'S OBJECTIVES

4.6.1 The main objective of this study

To evaluate the current basic entrepreneurial skills available in the informal sector of the Goldfields. Theoretical research was also done to determine the basic skills needed to be successful entrepreneurs and to compare this with the current skills of informal entrepreneurs in the Goldfields.

The main objective was met through thorough theoretical research and quantitative research in the form of a questionnaire and an interview.

4.6.2 Sub objectives of this study

- A theoretical study to be done to determine the basic entrepreneurial skills needed to be successful as well as characteristics of entrepreneurs and production factors needed.
- Evaluation of the basic entrepreneurial skills of entrepreneurs in the informal sector of the Goldfields will be done by means of interviews and questionnaires.

- A conclusion and recommendation will then be drawn from the attained results regarding the current entrepreneurial skills and the lack thereof as well as any other problems hampering entrepreneurs in their businesses.
- Research results will be presented to SEDA and local government to attain help in the form of training initiatives for the informal entrepreneurs in the Goldfields

The sub objectives were met throughout this chapter and a conclusion and recommendation concluded the picture.

4.7 SUGGESTION FOR FURTHER RESEARCH

The research for this study was done in the form of a pilot study for further research regarding this topic. The researcher would like to write a skills program involving the basic entrepreneurial skills discussed in this study.

4.8 SUMMARY

Research from this study showed that there is a definite entrepreneurial skills shortage in the informal sector of the Goldfields. Success can only be assured through training and education. There is a definite hunger for training, but local government needs to assist with funding for this training. These entrepreneurs could probably enhance their businesses with a minimum of 100% if they knew how to do a business plan or a budget.

Communication skills, business skills, financial skills, marketing skills, human relation skills, technical skills and information seeking skills are the most important skills needed for entrepreneurs to run their businesses in an effective manner.

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APPENDIX A: QUESTIONNAIRE

This questionnaire will be done in the form of a interview. A translator will help clarify certain aspects.

SECTION A: BIBLIOGRAPHICAL INFORMATION OF THE BUSINESS OWNER

A1: Profile of the business owner

A1.1 Are you as business owner directly involved in the management of your business?

YES	
NO	

A1.2 What is the gender of the owner?

Male	
Female	

A1.3 What is the age of the business owner?

Younger than 20	
20 - 29	
30 - 39	
40 - 49	
50 - 59	
Older than 59	

A1.4 What is the mother language of the business owner?

Sesotho	
Setswana	
Zulu	
Xhosa	
Sepedi	
Afrikaans	
English	
Other (specify)	

A1.5 What is the educational level of the entrepreneur?

Lower than std 3	
Std 3 - 5	
Std 6 - 8	
Std 9 - 10	
Diploma, or other qualification (please specify)	

A1.6 How long is the business owner operating in the informal sector?

0 - 2 years	
3 - 5 years	
6 - 10 years	
More than 10 years	

A1.7 How many people are dependant on the income generated from the business?

2 people	
3 - 5 people	
6 - 10 people	
More than 10 people (please specify)	

SECTION A2: Structure of the participating business

A2.1 What is the monthly income of the business?

Less than R1000	
R1000 - R2000	
R2000 - R5000	
R5 000 - R10 000	
More than R10 000	

A2.2 How many employees does the owner have, including himself?

Only the owner	
2 people	
3 - 5 people	
6 and more people	

A2.3 How long is the business existing in the Goldfields?

Less than 1 year	
1 - 2 years	
3 - 5 years	
6 - 10 years	
More than 10 years	

A2.4 What does the business sell?

Clothing	
Food	
Technical gadgets	
Telephone calls	
Plants	
Other (please specify)	

A2.5 Have you been involved in research of this kind?

Yes	
No	

A2.6 Have you ever received any training regarding business management from the local municipality?

Yes	
No	

A2.7 Do you know where to find assistance regarding business problems?

Yes	
No	

A2.8 What type of assistance does the business owner need?

Business training	
Financial training	
Customer care training	

SECTION B: Skills level of informal entrepreneurs

B1: Sociological influences on the entrepreneur

B1.1 Education

B1.1.1 What is your current level of education?

Lower than std 3	
Std 3 - 5	
Std 6 - 8	
Std 9 - 10	
Diploma, or other qualification (please specify)	

B1.2 Parental influences

B1.2.1 Have you been influenced in your business decision by the fact that any of your family were entrepreneur?

Father	
Mother	
Siblings	
Other (please specify)	
No family influence	

B1.2.2 The main reason for starting the entrepreneurial business?

I took over the business from my parents	
I saw a opportunity for business	
Unemployment	

B2: Psychological influence on the entrepreneur

B2.1 Communication skills

B2.1.1 True statement of the entrepreneur

I do not talk to my customers	
I ask clients what they want me to sell	
I ask my clients what they think of my products	

B2.2 Business skills

B2.2.1 Which of the following have an influence on your business?

Police interference	
Marketing of the business	
Government regulations	
Lack of business skills	
Transport	
Crime	
Competition	
Lack of capital	

B2.2.2 Do you have a business plan for your business?

Yes	
No	

B2.2.3 The entrepreneurs knowledge of a business plan

I do not know what a business plan is	
I know what a business plan is, but I do not use it in my business	

B2.3 Financial skills

B2.3.1 Do you have a bank account for your business?

Yes	
No	

B2.3.2 How often do you bank money generated from your business?

Once a week	
Once a month	
I do not bank money from my business	

B2.3.3 Which statement is true about your business?

I do monthly budgets	
I sometimes do a budget	
I do not know how to do a budget	

B2.3.4 How did you fund your business?

I used my own savings	
I got a loan from the bank	
I borrowed	

B2.4 Marketing skills

B2.4.1 What method do you use to market your business?

I wait for clients to come to me	
I hand out pamphlets regarding my products	
I tell potential customers about my products	

B2.5 Human relation skills

B2.5.1 Do you have any employees in your business?

Yes	
No	

B2.6 Technical skills

B2.6.1 Which of the following items do you use in your business?

Landline phone	
Pre-paid cell phone	
Contract cell phone	
Calculator	
Internet	
Computer	
Fax machine	

B2.7 Information seeking skills

B2.7.1 Which one of the following statements is true?

I ask people what they would like me to sell	
I sell the same products as my competition	