

**South African expatriates as potential entrepreneurs:
an exploratory study**

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LIST OF ABBREVIATIONS

| | | |
|--------|---|--|
| BBBEE | - | Broad-Based Black Economic Empowerment |
| DKN | - | Diaspora Knowledge Networks |
| DPA | - | Data Protection Act |
| DTI | - | Department of Trade and Industry |
| EMIA | - | Export Marketing and Investment Scheme |
| GEM | - | Global Entrepreneurship Monitor |
| KMO | - | Kaiser-Meyer-Olkin measure of sampling |
| PUK | - | Potchefstroom University (former NWU) |
| SAMP | - | South African Migration Project |
| SANSA | - | South African Network for Skills Abroad |
| SETA | - | Sector Education Training Authorities |
| SIBISA | - | Skills, Investment, Business in South Africa |
| SMME's | - | Small, medium and micro businesses |
| SPSS | - | Statistical Package for the Social Sciences |
| TEA | - | Total Early-stage Entrepreneurship |
| UK | - | United Kingdom |
| UNCTA | - | United Nations Conference on Trade and Development |
| USA | - | United States of America |

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

A fresh business environment evolved when the cold war between the Western world and the East bloc countries ended during the 1980s. World economies opened, global infrastructure improved, international trade agreements were signed and the movement of capital and people from one country to the other became easier (Scholte, 1997:431-432). With the emphasis shifting to globalisation during the latter part of the previous decade, the sentiment towards emigration changed. Emigration of skilled labour, for whatever reason, has always been seen in a negative context by remaining inhabitants of the country of origin. Even the words “brain drain” epitomise the negativity surrounding emigration.

“Two decades ago, people moving from home countries to other countries would not have had the opportunity to remain actively engaged or even adequately informed of events in their home countries. Policy makers and scholars had a somewhat limited understanding of diasporic communities and their importance. Today, with the diminished saliency of the nation-state, the impact of globalisation and the growing number of transnational migrants, this has changed. Diasporic groups, capable of maintaining and investing in social, economic and political networks that span the globe, are of increasing relevance and interest to policy makers in home countries as well as host countries” (Cheran, 2003:2).

Emigration and the so-called brain drain could be turned into a positive initiative if managed properly and thus not regarded as a burden for the country of origin. From a South African perspective, the international scenario as well as the concept of diaspora networks gives a clear explanation of what should be explored in the field of entrepreneurship to turn this negative perception into a positive one.

This study seeks to find answers to three related issues. The first issue concerns the reasons why entrepreneurs and potential entrepreneurs are still leaving South Africa and how the host country (London, England) compares to South Africa. Secondly, the study probes the question on whether the entrepreneurial climate in South Africa is conducive to involvement by expatriate-entrepreneurs. In the last instance, a framework for involvement and value exchange by expatriate-entrepreneurs is proposed.

For the purpose of clarity, a number of key terms and concepts need explanation as it plays a fundamental role in this study.

1.2 CONCEPTUAL DEFINITIONS

The following concepts can lead to confusion and should be explained at the outset:

1.2.1 Emigration, immigration and migration

Emigration can be defined as the departure from a home country to another country with the intention of acquiring permanent residence (Online Oxford English Dictionary, 2009). Emigration could also be defined as leaving from one country to settle in another. Immigration into a country can be defined as a person moving from a foreign country with the intention of settling into the new country of destination (Du Preez, 2002:80). The action of immigrating refers to the entrance into a country for the purpose of settling there (Online Oxford English Dictionary, 2009). For the purpose of this study, the term migration refers to the movement of a person or people from one country to settle in another, thus referring to both emigration and immigration (Oxford English Dictionary Online, 2009).

1.2.2 Expatriates

The word "expatriate" is derived from the Latin term "ex patria" meaning "from the homeland" (Yeoh & Khoo, 1998:162). The term "expatriates" is commonly used by citizens of a country, to describe the emigrants of their country in another country, or

by the inhabitants of a country, to describe their immigrants from another country. In this study, the term “expatriates” is used to refer to foreign-born persons living abroad, regardless of the current or eventual duration of their stay abroad. Obviously, many will never return to their country of birth, but it might be possible for others to return (Dumont & Lemaître, 2005:6).

1.2.3 Diaspora and transnationalism

Diaspora is the result of forced migration whereas transnational communities are the result of voluntary migration (Cheran, 2003:4). There is also a difference between regular emigration (mostly for economical reasons) and diasporic emigration, which is a result from stress and anxiety and was normally preceded by a traumatic experience that led to the emigration (Bornman, 2005:388).

The concept “diaspora networks” is based on the assumption that many expatriates are not likely to return, but they are still concerned with the development of their country of origin because of cultural, family or other ties (Meyer & Brown, 1999:6). They form an alliance or network with other expatriates with the intention to plough back into their country of origin, not only to benefit themselves but also to create opportunities for family and friends back home (Kuznetsov & Sabel, 2006:7). The objective of the network is to create links through which they could be connected to the country of origin’s development without any physical, temporary or permanent return (Mutume, 2003:2).

1.2.4 Refugees

Refugees refer to those exiles that fled their country of origin in search of refuge, as in times of war, political oppression or religious persecution. A refugee might also be someone that was driven from home by war or the fear of attack or persecution (Online Oxford English Dictionary, 2009:1).

As far as this study is concerned, the term “expatriate” is more appropriate than either diaspora or refugees, because it is more inclusive than the other two definitions and would include both diaspora as well as refugees.

1.2.5 Motivational factors

Motivational factors will be those “reasons” why emigrants decided to leave their country of birth to resettle in another country. It will also be used to describe the conditions that will have to change or be put into place for former inhabitants of South Africa to return (SAMP, 2000:28).

1.2.6 Entrepreneurship and entrepreneurial links

The term “entrepreneurship” is very widely used and for the purposes of the study could be described as the process where value is created by bringing together various resources to exploit an opportunity (Morris & Kuratko, 2002:22). The start-up and managing of a small or medium-sized business will be deemed to fall within this category of entrepreneurial activities.

“Entrepreneurial links” for the purpose of this study refer to the network of business opportunities among expatriates themselves and among expatriates and other citizens of South Africa. This “link” should be seen as a continuous relationship with the country of birth.

1.2.7 Potential entrepreneurs

For the purpose of this study entrepreneurs and potential entrepreneurs are those highly skilled people that are either self-employed, or could eventually work for themselves if they decide to pursue the same or a similar career. Their qualifications or acquired skills would be the deciding factor in establishing an entrepreneurial venture. Medical doctors, accountants, engineers, marketers, existing owners of small businesses stationed abroad, but who can return or engage themselves in an entrepreneurial project or business, would all be regarded as “potential expatriate-entrepreneurs” in this study.

1.2.8 Brain drain, brain gain and brain circulation

“Brain drain” should be seen as the process where one country loses its highly skilled people to another or other countries. “Brain gain” is the mirror image of brain drain, and a drain for one country is the gain for another. “Brain circulation” happens when the migrant decides to return to the country of origin on either a temporary or permanent basis. With brain circulation both countries benefit because the host country initially benefits by gaining the expertise and when the migrant decides to return with newly acquired skills and knowledge, the country of origin will benefit (Fourie, 2006:6-9). Circulation is important for both skilled and unskilled workers mainly because it could counter the negative effect of brain drain as well as illegal immigration (Weil, 2002:50).

1.2.9 Broad Based Black Economic Empowerment (BBBEE)

The strategy of the national government with affirmative action and Black Economic Empowerment is to include the majority of South Africa’s people in the participation of the economy (Korte, 2005:13). BBBEE is prescribed by “The Codes of Good Practice” that was promulgated in 2007. Whilst it is mainly large businesses with turnovers in excess of R35 million that have to comply with all seven the BBBEE regulations, and businesses with turnovers between R5 million and R35 million that have to comply with four of the seven regulations, businesses with turnovers smaller than R5 million are automatically BBBEE compliant. The seven regulations refer to Ownership, Management, Employment Equity, Skills Development, Preferential Procurement, Enterprise Development and Socio Economic Development (Government Gazette, 2007:1-44).

1.3 BACKGROUND TO EXPATRIATION

Expatriates are different from immigrants in that most expatriates do not plan on residing in their new country permanently, and if they do, they plan on retaining their native citizenship for practical purposes (Dumont & Lemaître, 2005:6). International expatriation has also left its mark on South Africa.

1.3.1 International phenomenon

Highly skilled migrants have become an important and much discussed international phenomenon. Throughout history, migration has been a courageous expression of the individual's will to overcome adversity and to live a better life (United Nations General Assembly, 2006:1). Migration cannot be meaningfully analysed without reference to considerations such as the emigrant's country of origin and destination country, the cultures of these countries, individual, family, social and political influences as well as policies that might stem from the migration flows (Todisco, 2004:18).

Whilst the debate on the reasons for this is continuing, the effect it has on both the country of origin as well as the host country should continuously be researched (Manik, 2007:58-60; Mattes & Richmond, 2000:26-34; Mattes & Mniki, 2007:33-41; Myburgh, 2004:126; Sriskandarajah & Drew, 2006:2). Even more important is the role that migrants can still play in their country of origin even if they have decided never to return (Brown, 2000:90-106; Fourie, 2006:6-9; Marks, 2004:4). Three international cases in this regard deserve mentioning.

The first is that of the "bamboo network" which describes the opening of the Chinese economy to the outside world and the rapid trade that resulted (Weidenbaum, 1996:1). Ethnic Chinese businesses based off the mainland of China have become the new wave of Asian trade, manufacturing and investment (Yeung & Soh, 2001:316). They have become so successful in their new host countries that trade restrictions are placed on them by these countries. Being a major global power, overseas Chinese entrepreneurs are weaving a "bamboo network" in which they are tying together entrepreneurs, business executives, traders and financiers (Weidenbaum & Hughes, 1996:10).

The "Chinese Commonwealth" was first identified in the early 1990s. Chinese businesses in East Asia, the United States of America, Canada and even farther afield in Africa and Europe are considered as the fourth economic power after North America, Europe and Japan. Even though this "Commonwealth" is not based in any

one country, it was considered to be a powerhouse primarily because of its network of entrepreneurial relationships (Kao, 1993:24).

The second case concerns a “diaspora network” called Globalscot (Globalscot, 2009:1) which involves about 800 high-powered expatriates from Scotland now residing all over the world, that use their expertise and influence as “antennas”, “bridges” and “springboards” to generate a variety of projects in Scotland (Kuznetsov & Sabel, 2006:7). Chile took inspiration from this network and ChileGlobal is now a network of 60 influential Chileans in the USA, Canada and Europe (Kuznetsov & Sabel, 2006:8).

The third case is that of an American entrepreneur who decided to strike it rich by leaving his employment with an international company in the United States of America (USA) to start a chain of coin-operated laundromats in Soweto, Johannesburg after being funded by the U.S. government’s Overseas Private Investment Corporation (Echikson & Sookdeo, 1994).

Clearly, from an entrepreneurial perspective, emigration could have benefits for a country of origin and should not be seen in a negative light only.

1.3.2 Diaspora networks

Expatriates have played a critical role in technology exchange and foreign investment in the economies of India, China and Israel especially through diaspora networks (Kuznetsov & Sabel, 2006:6). The diaspora network option could be seen as opposed to the return option. The diaspora option takes for granted that many of the expatriates are not likely to return, but they are still concerned with the development of their country of origin because of cultural, family or other ties (Meyer & Brown, 1999:6). The objective of the network is to create links through which they could be connected to the country of origin’s development without any physical, temporary or permanent return (Mutume, 2003:2).

1.3.3 The South African scenario

It is not a new phenomenon for South Africans to leave their country of birth. The country has experienced a brain drain since before 1994 suggesting that this trend will continue (Bailey, 2003:235). During the previous political dispensation, also known as the apartheid era, many South Africans left the country for political reasons (Bailey, 2003:240). Many of them acquired new skills abroad and upon their return they took up the challenge and reinvested their newly acquired knowledge and skills in the country of origin.

Since 1994 a new movement has taken place. As many political refugees from the previous government returned, many South Africans, mainly white Afrikaans-speaking citizens and regarded by some as privileged in the previous dispensation, left the country (Bornman, 2005:386). To a certain extent, this has nothing to do with racism, but many expatriates now were of the opinion that the new dispensation had too many risks and that it would be better for them and their families to seek employment elsewhere (Bailey, 2003:235). It appears that the primary reasons why skilled South Africans emigrate are because of concerns about crime and violence, poor economic growth rates, the decline in public services in this country and lucrative job opportunities overseas (Bailey, 2003:235).

As a developing country, South Africa cannot afford the outflow of skilled labour to developed countries such as Britain, the United States of America, Australia, New Zealand and Canada, only to be replaced by an influx of immigrants and unskilled labour mainly from the African continent. The flow of skilled immigrants into the country has slowed tremendously in the post-apartheid era, which means that fewer skills are being replaced than lost through emigration. It seems as if little or none has been done to address the situation (Bailey, 2003:235).

Various South African authors (Van Rooyen, 2000:68-74; Du Preez, 2002:80-84; Bornman, 2005:387) on the subject of brain drain have focused on the negative side of emigrating. There are, however, some analysts that feel that the so-called brain drain could also be considered as a brain gain, because the expatriates not only

earn an income whilst abroad which is sometimes remitted to South Africa, but they also pass on newly acquired skills upon their return (Weil, 2002; Meyer, 2001:91-108; Mattes & Mniki, 2007:25).

Starting an own business is one alternative that the expatriates should consider when they decide to return instead of looking for fulltime employment. With Broad Based Black Economic Empowerment (BBBEE) and restricted career opportunities being some of the reasons that are given for emigration (Bornman, 2005:397), an own business is a very lucrative alternative for expatriates. In an Internet survey among 1 192 South African citizens living in South Africa (58%) and abroad (42%), it was established, of those South Africans living abroad who intend to return to SA, nearly 29% want to start their own business upon their return (Homecoming Revolution, 2005:1).

Whether the entrepreneurial climate in the country is conducive to promote such actions is, however, an open question. According to the Global Entrepreneurship Monitor (Maas & Herrington, 2006:17), there is not enough motivation for opportunity entrepreneurs in South Africa. Circumstances, however, favour necessity entrepreneurs who have no better options for work.

An entrepreneurial network is another alternative for expatriates who wish to involve themselves with the home country. By making use of a diaspora network like the South African Network for Skills Abroad (SANSA), expatriates wishing to return could also use the opportunity to springboard their new venture whilst still living in the host country (SANSA, 2007:1).

This study will investigate South Africa's migration situation with special emphasis on the role that entrepreneurship can play to counter the negative effects of migration.

1.4 PROBLEM STATEMENT

1.4.1 Background and setting of the problem

Before defining the problem itself, some clarity is needed concerning the concepts of international migration, the brain drain issue, South African emigration as well as the desire of expatriates to return. This might put the study by large in perspective.

1.4.1.1 International migration

There are various reasons for migration. Among the more commonly known, when specifically referring to skills migration, are the following:

- **Globalisation**

This concept refers to the processes leading to the integration of economic, cultural, political, and social systems across geographical boundaries. It not only leads to many opportunities for people to work abroad, but also to study abroad (Cao, 1996:271).

- **Socio-economic factors**

Among the most important factors are crime, poor living conditions, standards of education in the home country and better career opportunities abroad (Fourie, 2006:12).

- **Economic factors**

Even though the economic factors were listed traditionally as the main reason for skills migration (Adepoju, 1984:444), the economic gains must be significant enough to warrant migration from the home country (Ojo, 1990:631).

- **Political factors**

There are many examples of emigrants that left their country of birth for political reasons. The most important of all being Albert Einstein, who was born in Germany in 1879, raised in Judaism at home, renounced German citizenship in 1896 and moved to Switzerland. He applied for Swiss citizenship in 1899, which was granted in 1901. Einstein returned to Germany in 1914, but did not reapply for German citizenship. He visited the United States of America on a frequent basis. What was intended only as a visit became a permanent arrangement by 1935 when he applied and was granted permanent residency in the United States (Einstein Biography, 1997).

No matter what the reason for migration, we should accept the fact that international migration is here to stay. It is an age-old human instinct to move from one place to another in search of better opportunities or security (Haffajee, 2001:36).

1.4.1.2 Brain drain

The so-called brain drain is a worldwide phenomenon and is generally only seen in a negative light. Even though it seems as if it is mainly developing countries that suffer from this flight of skills, it is also reported that a developed country like the United Kingdom (UK) suffers the same fate. More than 9,2% of British nationals live overseas permanently. It is estimated that more Britons live abroad than there are foreigners living in the UK (Sriskandarajah & Drew, 2006:1). It is, however, evident that new technologies such as the Internet, satellite telecommunications and cheap travel have enabled the expatriates to stay in close contact with the UK and thus reduced their dependence on meeting other British people abroad (Sriskandarajah & Drew, 2006:2).

Strict entry requirements apply to most developed countries and sought after migration destinations. Normally, countries such as Britain, Australia, the United States of America, New Zealand and Canada have high levels of education and advanced occupational skills as entry requirement (Van Rooyen, 2000:62-68). This

implies that the South Africans working and living in these countries could be defined as “skilled” workers.

There is, however, evidence that a brain circulation, or a reversing of the initial brain drain, is taking place. Brain circulation refers to the process where professionals who leave their countries of origin to work and live in another country, return permanently to their home country at some point in time (Robinson, 2003:1). The brain drain, however, is a given fact, and could leave a noticeable impact on the socio-economical well-being of any developing country. From an economic point of view it could result in far less job opportunities than what is needed to secure low unemployment, a sustainable economic growth rate and a low crime rate. In South Africa's case, no industry is as hard hit by the brain drain than the health industry (Fourie, 2006:40). This can have social and health implications over the long term.

1.4.1.3 South African emigration

Up until the 1990s South African emigration rates have not been particularly high when compared to other African countries (Myburgh, 2004:122). Data about South African emigrants, recorded by the five major recipient countries, who collectively account for three-quarters of South African emigrants – the United Kingdom, the United States of America, Australia, Canada and New Zealand – suggest that a total of 198 393 South Africans (32 296 professionals) emigrated in the period 1987-97. This compares to the official Statistics South Africa figure of 62 088 (10 140 with professional qualifications) (Crush & Williams, 2005:17).

The accuracy of the official statistics on the extent of emigration from South Africa, particularly skilled people, has, however, been continuously questioned by analysts (Bhorat, Meyer & Mlatsheni, 2002:8). Doubts arose in the mid-90s as empirical findings indicated that the departures were far higher than the data published by Statistics South Africa (Meyer, Brown & Kaplan, 2000:13). These studies were based on data from embassies or removal companies which showed that more people were leaving than the statistics indicated. This evidence was later confirmed by a statistical comparison between South African emigration data and South Africans registered as immigrants in countries such as Australia, New Zealand and the UK.

This immigration data was approximately three times higher than South Africa's emigration data (Meyer *et al.*, 2000:2). According to the World Bank, the total emigration during the period 1989-2003 was 521 571 compared to the official figures of 130 965 (Crush & Williams, 2005:18).

The outflow of skills is unlikely to slow down in the foreseeable future and black South Africans are as likely to leave as white South Africans (Crush, McDonald & Williams, 2000:1). This view is supported by the South African Institute for Race Relations in which they quoted as follows: "Figures after 1994 ironically suggest that, once apartheid had been abolished, the trickle of skilled immigrants into a stabilized South Africa was overwhelmed by the steady stream of skilled emigrants leaving our borders" (Ericsson, 2003:1).

Emigration from South Africa prior to 1994 has been politicized and many refugees left the country because of the apartheid era policies (Van Rooyen, 2000:87). Since 1994, politics in a different form is held responsible whether it is crime and the lack of control thereof, new employment policies like BBBEE, or the decay in the delivery of government services (Bornman, 2005:389).

The bulk of South African emigrants during the post-1994 era are members of the white Afrikaans-speaking ethnic group (Bornman, 2005:397). Another view is, however, expressed by Nduru (2004:2), who said that the South African brain drain is colour-blind and that black South Africans are also leaving the country now to acquire new skills and global experience to match what South Africans, who lived in exile, had attained.

It is an undisputed fact that there are numerous emigration costs, and emigration as such could eventually cost any country dearly and that also applies to South Africa (Myburgh, 2004:129). It would therefore be to the advantage of the origin country if these emigrants would one day decide to return. In South Africa's case, it would be beneficial to determine the reasons that prompted the emigration also to establish under what circumstances expatriates would return. Once this is known, the problem can be addressed properly.

1.4.1.4 Desire to return

Whatever the reason for leaving South Africa to pursue a career in another country, there also seems to be a large portion of expatriates wishing to return to South Africa (Keenan, 2002:12; Homecoming Revolution, 2005:8; Van der Merwe, 2002:63; Petzer, 2003:18; Theunissen, 2006:11). According to research done by Research International for the Homecoming Revolution (2005:8), it is clear that South Africa still holds great attraction to the diaspora with 81% indicating that they intend returning to SA in the future permanently. This sentiment is echoed by Crush and Williams (2005:21) who undertook research for the United Nations Expert Group Meeting on International Migration and Development, and found that only 10% of professionals indicated that they would never return to South Africa.

Many South Africans would dearly love to return to their country of origin, but certain factors still exist and unless these factors are not under control, they will not return. Brain circulation might become a reality for many South Africans living abroad, who have already expressed a desire to return (Botha & Baxter, 2005:79).

1.4.2 Definition of the problem

In defining the problem, the reasons why potential expatriate-entrepreneurs leave South Africa should be researched in depth. The definition of the problem should also include a study of the entrepreneurial climate in South Africa and whether this climate is conducive to lure potential expatriate-entrepreneurs back to South Africa. In the last instance, the links that the expatriates maintain with other expatriates as well as with inhabitants in South Africa should be researched. This research should also include existing networks and their involvement of expatriate-entrepreneurs as well as value exchange.

1.4.2.1 Reasons for leaving South Africa

Some of the factors reportedly leading to the South African brain drain might include crime, BBBEE, politics, HIV/AIDS and a lack of job opportunities (Van Rooyen, 2000; Bornman, 2005). According to research by the Southern African Migration Project

(SAMP), the South African brain drain could be attributed to a mixture of “pull” and “push” factors whether it is lucrative offers in other countries or some form of dissatisfaction with the circumstances in the home country (Mattes & Richmond, 2000:28).

A major “pull” factor for skilled South Africans could be seen as the lucrative salary packages offered by businesses in North America, Europe and Australia (Rogerson & Rogerson, 2000:47-48). Among the “push” factors for both white and black skilled professionals are the cost of living, levels of taxation, safety and security and the standard of commercial services in South Africa (Mattes & Richmond, 2000:28).

The highest levels of dissatisfaction with the quality of life in South Africa are with economic conditions such as cost of living and the present level of taxation. Personal safety and security concerns also rate high for all race groups (Mattes & Richmond, 2000:28).

South Africans are pessimistic about future economic and security conditions (Mattes & Richmond, 2000:30). As far as political dissatisfaction is concerned, there is a major difference by race with whites being extremely alienated from the political process compared to blacks. Blacks approved of the performance of the national government over the preceding twelve months at the time of the particular study, but whites did not approve of the performance (Mattes & Richmond, 2000:31). On the other hand, whites opposed the government’s affirmative action policies, but blacks did not. This is a clear indication that highly skilled workers were unsettled with the new political dispensation after the 1994 elections (Mattes & Richmond, 2000:32).

South Africans are of the opinion that conditions such as safety and security, standard of services, levels of taxation, good schools, healthcare and their children’s future are decidedly better abroad (Mattes & Richmond, 2000:33).

Before the potential involvement of expatriate-entrepreneurs in future commitments with South Africa can be established, the reasons for their expatriation should first be determined.

1.4.2.2 The entrepreneurial climate in South Africa

Entrepreneurial ventures, in the form of small and medium-sized businesses are a major force in the South African economy (Maas & Herrington, 2006:4). Political leaders in South Africa have over the years confirmed their belief in the importance of small, medium and micro enterprises (SMMEs) for the economic well-being of the country (Mbeki, 1999:1; Radebe, 1999:1; Matsepe-Casaburi, 2002:3; Shilowa, 2007:1; Mkhize, 2006:1). This specific sector has the potential to be used as a driving force to lure some of the thousands of skilled workers back that had left the country.

It is therefore in the interest of South Africa's economic growth to find ways to promote entrepreneurship by both encouraging new business start-ups and ensuring that start-ups are nurtured and supported so that they survive and go on to generate real wealth (and jobs) for the economy.

The Global Entrepreneurship Monitor (GEM) of 2006 ranks South Africa 30th out of 42 countries as far as entrepreneurial activity is concerned, with just 5,29% of its population involved in Total Early-stage Entrepreneurship (TEA) activities. By contrast, top performer Peru scores a 40,15% TEA (Maas & Herrington, 2006:16).

What the GEM 2006 report highlights is that if South Africa wants to sustain economic growth rates, the TEA activities will have to improve. If not, the danger exists that the dependency level on the existing businesses will become too much and the economy will stall (Maas & Herrington, 2006:4).

It is important to stimulate entrepreneurship and to ensure that a strong and vibrant small and medium business sector is sustained within South Africa. New start-ups in every form should thus be encouraged and stimulated, even among expatriates living abroad.

Before potential expatriate-entrepreneurs can be convinced to be involved with entrepreneurial projects or lured back to South Africa as entrepreneurs, the entrepreneurial climate from an expatriate's point of view should be researched.

1.4.2.3 Links between expatriates and South Africa whilst abroad

One of the major criticisms levelled against migration is the fact that a country spends vast amounts of money in the education and acquiring of skills of its inhabitants. When a person decides to leave the country of birth, this “investment” is regarded to be wasted. However, if links with the expatriate could be maintained in one way or the other, the initial investment could still provide a return to the country of origin (Haffajee, 2001:36).

To state the reasons why South Africans emigrate are only one part of defining the problem. To find ways how a link with the expatriates could be maintained where mutual benefit could be derived from this situation, could put a new perspective on the question of the so-called brain drain. Looking at other countries such as Scotland, Chile and more importantly China, it is clear that skilled workers leaving a country of origin but maintaining some sort of linkage, could have major benefits for the host country, the country of origin as well as the emigrant (Kuznetsov & Sabel, 2006:1). South Africa has also made inroads as far as this concept is concerned with the establishment of the South African Network of Skills Abroad (SANSA). This network’s objective is to link highly skilled South Africans living abroad and who wish to make a contribution to South Africa’s economic and social development (SANSA, 2007:1).

In South Africa’s case, it seems as if more than 90% of the emigrants do not wish to cut ties with their country of birth (Homecoming Revolution, 2005:8). The national government should take note of this and implement ways and means that could strengthen ties with the expatriates, with benefits for both the expatriate and South Africa as a whole. If a citizen of the USA could be funded by his government to open a business in South Africa (U.S. government’s Overseas Private Investment Corporation – Echikson & Sookdeo, 1994), then maybe the South African government could do likewise to counter the brain drain by fostering entrepreneurship among some of the expatriates before returning to South Africa.

More than 29% of expatriates wishing to return to South Africa would like to start their own business (Homecoming Revolution, 2005:8). Expatriates living abroad

could be encouraged to develop their business skills and acumen. Developing entrepreneurship can play a major role and much can be learned from the Chinese, Scottish and the Chileans in this regard (Kuznetsov & Sabel, 2006:7-8). It would be to South Africa's benefit to lure these emigrants back and to capitalize on their newly acquired knowledge and skills.

It is also possible that, like in the case of China's emigrants, the emigrants would still see South Africa as a country where "good investments" can be made. Whilst abroad, some form of incentive should be in place to promote investments in South Africa. The objective of diaspora networks is to contribute to the economic and social development of a country (SANSa, 2007:1), and through the incentive scheme expatriates might just have an added benefit.

Returning to South Africa is not the only way that the expatriate, and for that matter, South Africa, could benefit. Newly acquired skills to be used upon return, new markets ventured into abroad, money earned abroad and invested in South Africa and contributing to a network of new business opportunities for other South Africans, are all avenues that present entrepreneurial opportunities for South Africans working and living abroad (Haffajee, 2001:36; Kaplan, Meyer & Brown, 1999:5).

A framework of possible ways of involvement of expatriate-entrepreneurs in South Africa would be beneficial, not only to the expatriates themselves, but also to the entrepreneurs in South Africa who want to deal with foreign countries.

1.4.2.4 The reason for this study

The reason for this study is to:

- Primarily establish how South African expatriates could still be involved with their home country, from an entrepreneurial perspective.
- From a secondary point of view, this study should:
 - Determine the reasons why potential entrepreneurs from South Africa are still leaving the country to work and live abroad;

- Establish whether the perception of the expatriate-entrepreneur concerning the entrepreneurial climate in South Africa is conducive for involvement; and to
- Provide a framework of involvement on how expatriate-entrepreneurs can still maintain links with South Africa, whether it is upon their return or whilst staying abroad.

1.5 THE GOAL OF THE STUDY

1.5.1 Goal

The main goal of this study is to provide an entrepreneurial framework within which South African expatriates could maintain links with their country of birth and to enhance their past and existing connectedness for the mutual benefit of both the expatriate and South Africa.

1.5.2 Objectives

The objectives of the study are to:

- Establish from the potential expatriate-entrepreneurs the reasons for leaving South Africa;
- Determine whether the entrepreneurial climate in South Africa is conducive to attract potential expatriate-entrepreneurs to business ventures, even whilst staying abroad; and to
- Provide a framework for involvement and value exchange between South Africa and former inhabitants of the country, living and working as expatriate-entrepreneurs abroad.

1.6 RESEARCH METHODOLOGY

The research methodology consisted of a literature study and an empirical study.

1.6.1 Literature study

A literature study was conducted to demonstrate a familiarity with the topic, to integrate what is already known in this particular field and to summarise accumulated knowledge of other researchers (Neuman, 2003:96). With the assistance of a computer-based search, according to the keywords identified, databases such as SABINET, MCB University Press, Business Source Premier, EBSCO Host, Google Search and Google Scholar were consulted. In-depth literature searches were also done from secondary sources. Information gathered in this manner was collected from journals, articles, press reports, textbooks and research studies.

The purpose of the literature study was primarily to provide a scientific basis for the theory, recognising prior research done on this topic and to do a logical analysis of especially the phenomenon of citizens leaving their country of birth for whatever reason.

1.6.2 Empirical study

Empirical research describes a process whereby data or facts on a specific issue are gathered and analysed. Respondents provide information so that the researcher can develop a better understanding of aspects relating to the specific research objectives and characteristics (De Klerk, 2006:18).

As far as this study is concerned, the research design, research methodology and the limitations of the study need to be defined.

1.6.2.1 Research design

There are many possible designs that can be used in research. Among the more popular designs used by researchers are extended literature studies, comparative analyses, content analyses, survey-based research, evaluative research (appraisals), ethnographic research (participant observation), case studies, action research and theory development (Hofstee, 2006:120-121).

In a survey-based research design, information is elicited from individuals who are presumed to have the information that is sought and are willing to communicate this information to a researcher (Hofstee, 2006:122).

There is an important distinction between surveys and survey research. A survey is a process of gathering information about the characteristics, actions or opinions of a large group of people, referred to as a population. This might include the data collection and measurement of popular processes like marketing surveys and opinion polls. Survey research focuses on surveys that are conducted to advance scientific knowledge (Pinsonneault & Kraemer, 1993:77).

1.6.2.2 Method of research

In confirming and complementing as well as substantiating the findings from the literature study, the researcher conducted the survey through administering a web-based research questionnaire. The purpose of this survey was to gather quantitative data of certain aspects of the studied population.

The method of research included various elements, namely the research instrument, the study population, data collection and sampling as well as various analysis techniques.

1.6.2.2.1 *Research instrument*

Questionnaires are a form of structured interviewing and should also include information about why the respondent should answer the questions as well as the

purpose of the questionnaire (Hofstee, 2006:122). A questionnaire sent by e-mail is well suited to survey a broad geographical area and people are more willing to be truthful because their anonymity is virtually guaranteed (Salkind, 2007:138).

This study made use of a questionnaire and the method of collecting information was by posing structured and predefined questions. One of the motivations for choosing a questionnaire was cost, because this method was more affordable. Convenience was also a motivation because respondents could complete it in their own time. The fact that the researcher was absent could have lead to the respondents feeling unrestricted and free to answer honestly and without any pressure (Zikmund, 2003:213-214).

Participants were informed about the purpose of the questionnaire so that voluntary responses could be gathered about their “expatriate” experience in relation to various aspects of their work and living conditions.

There were four components to the questionnaire used in this study (Annexure1):

- **Biographical information**

The biographical section obtained information about the expatriate. Questions in this section related to the respondent's gender, age group, ethnic background, level of formal education, type of visa, years of residence in the UK, years of working experience, business sector involved in and legal status of business involved with.

- **Questions relating to migration**

In this section, the respondents were asked to identify with the factors that might have led to migration. Political factors like BBBEE, job reservation and affirmative action, economic factors like lucrative salaries offered abroad, level of taxation, cost of living and social factors like crime and violence, standards of education and the quality of medical services were posed to the respondents as reasons to emigrate.

- **Questions relating to entrepreneurship**

In this section, the propensity of potential entrepreneurship among the expatriates was researched. Potential entrepreneurs also include those people that are either self-employed or could eventually work for themselves if they pursue the same or a similar career. For the purposes of this study, everybody striving to be self-employed in whatever venture is considered to be a potential entrepreneur.

- **Questions relating to networking**

In this section, the existing level of networking was researched among the expatriates. Networking in this sense refers to the interaction between people or groups of people with a social or business intent. Questions in this section relate to the frequency and method of contact, reasons for networking, and benefits of a network of expatriate-entrepreneurs or potential entrepreneurs.

1.6.2.2.2 Study population

The study population consisted of highly skilled ex-South Africans living and working mainly in London, England who were either existing entrepreneurs or were contemplating an entrepreneurial venture. The databases of a number of role players were used to elicit the population. Table 1.1 summarizes the databases used and the number of follow-up actions used per database.

Table 1.1: Databases used in research

| Database | Size | Type of action | Follow-up |
|---|----------------|-------------------------|-----------|
| Potchefstroom University (PUK) Alumni in London, England | 300 | Link in Letter | 1 |
| Breytenbachs Attorneys in London, England | 52 000 | Link in newsletter | 1 |
| Homecoming Revolution | 10 000 | Posted on Website | 1 |
| Solidarity's Come Home Campaign | 2 850 | Link in newsletter | 1 |
| Skills, Investment, Business in South Africa (SibiSA) | 500 | Letter to database | 3 |
| Attendance register of South Africans in London Symposium | 60 | Personal and letter | 1 |
| SA Times | 80 000 | Article in newspaper | 1 |
| SA Gemeente (SA Church Congregation), London, England | 4 000 | Personal and newsletter | 2 |
| SA Business Club, London, England | 120 | Letter to database | 1 |
| Personal database in London, England | 50 | Letter to database | 3 |
| Total | 149 880 | | |

All the database managers were contacted on a regular basis through telephone calls and e-mails, and some were contacted personally requesting permission to use their databases for this study. The researcher visited London and personally requested attendants at a symposium for South Africans in London as well as at a church service of the SA Congregation to complete the questionnaire should they be entrepreneurs or potential entrepreneurs. The researcher addressed the symposium as a speaker and the SA Congregation as a visitor.

Managers of the databases requested their respective databases to complete the questionnaire, which was linked to the communication by way of a website link in the different media used for this survey. All communication from database managers were directed to the database as a whole, but it was clearly directed to those individuals who were existing entrepreneurs or those who contemplated a business or entrepreneurial venture. It is estimated that a total number of close to 150 000 individuals were reached through these efforts. Managers of the databases were requested to do a follow-up on the initial request to their database to complete the questionnaire.

1.6.2.2.3 *Data collection*

In view of the size of the population and the geographical area covered, this survey-based research design using a stratified sampling technique was deemed to be the most suitable for this study (O'Leary, 2004:108). The stratum used was "entrepreneurs" or "potential entrepreneurs", as indicated on the questionnaire itself. This sampling technique was complemented with snowball sampling, because the desired sample characteristic was deemed to be rare (O'Leary, 2004:110). The fact that the researcher was also prohibited by the Data Protection Act (DPA) (1998:1) to have access to databases in the geographical area covered, necessitated the additional use of snowball sampling.

The questionnaire was posted on a survey website hosted by Vovici (<http://www.vovici.com>) from 27 May 2008 until 18 July 2008, and the entry to this website was given as a website link in the different newsletters, newspapers and even "forwarded letters" to members of the specific databases. Respondents were prompted to click on the link which opened the questionnaire. The website remained active for seven weeks. Follow-up letters were sent to all the role players at the different databases and they prompted the members of the database on two occasions to complete the questionnaire. After the website closed for this survey, the raw data were extracted by the Statistical Consultation Services Department of the North-West University (Potchefstroom campus).

This method resulted in a convenience sample of 163 ex-South Africans now living and working mainly in London, England. The size of this sample should be compared to the methods used to determine the sample size by simple random sampling as described in par 1.6.2.2.4.

1.6.2.2.4 Sampling

Simple random sampling involves the drawing of a sample from a population so that every possible sample has an equal probability of being selected (Trochim & Donnelly, 2007:43).

The sample size formula for data according to the Minnesota Centre for survey research (Jones, 2007:1) is:

$$S = \frac{P(1-P)}{\frac{A^2}{Z^2} + \frac{P(1-P)}{N}}$$

Where:

S = Sample size required

N = Number of people in population

P = Preliminary estimate of percentage of people in population who possess attribute of interest. NOTE: The most conservative estimate (and the one most often used) is 50%. (Use 0.5 in the formula.)

A = Accuracy desired. This is the 'x' in the 'x%'; in the formula; use the decimal value (0.05 for 5%)

Z = The number of standard deviations of the sampling distribution (Z units) that correspond to the desired confidence level 1.96 = 95% confidence level and 1.64 = 90% confidence level

According to this formula, the ideal sample size for a population of 500 can be calculated as 218. For an accuracy level of 5% at the 95% confidence level which means that there is a 95% probability that the survey responses will not vary more than 5%. For an accuracy of 10% at the 95% confidence level the sample size should be 80. There is a 95% probability that the survey responses will not vary more than 10%.

The above sample size is also compatible with the sample size based on the formula prescribed by the Statistical Consultation Services Department of the North-West University (Steyn, Smit, Du Toit & Strasheim, 1998:397). This formula is as follows:

$$n = 1 + \frac{N}{10\,000} \cdot Nd^2$$

Where:

n = Desired sampling size

N = Population size

d = Population percentage reached = 5%

According to the above formula, the ideal sample size should have been 218.

1.6.2.2.5 *Statistical analysis*

The data collected were statistically analysed with the Statistical Package for the Social Sciences Incorporated (SPSS Inc) version 16 of 2008. Descriptive statistics (means and standard deviations) were used to analyse the data. Construct validity of the questionnaire was assessed by means of an exploratory factor analysis. Cronbach alpha coefficients were also calculated for each factor to determine the reliability of the data and also to serve as a measure of internal consistency among the items (Field, 2007:666). The pattern matrix, containing the regression of coefficients for each variable on each factor in the data, was used instead of the structure matrix (Field, 2007:660).

In order to determine the appropriateness of principle components analysis for the collected data, a correlation matrix (Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy) as well as the Bartlett test of sphericity, were examined (Field, 2007:640):

- The KMO measure of sampling adequacy aims to examine whether the relationship between variables is strong enough to proceed with a factor analysis. This statistic varies between 0 and 1. For values smaller than 0.5, the factor analysis is likely to be inappropriate and more data should be collected or different factors be selected. Values between 0.5 and 0.7 are mediocre, between 0.7 and 0.8 are good and between 0.8 and 0.9 are great whilst values between 0.9 and 1 are superb (Field, 2007:640). The larger the

KMO value, the more reliable the factor analysis for this particular sample size.

- The Bartlett test is found to be significant if $p < .00001$ (Field, 2007:640). This indicates that the data reduction by principle components would be legitimate.

Effect sizes were calculated to determine the practical significance of relationships. Effect sizes indicate whether obtained results are important. A cut-off point of 0.10 (small effect) explains 1% of the variance, 0.30 (medium effect) explains 9% of the variance and 0.50 (large effect) accounts for 25% of the variance (Field, 2007:32).

One-way analysis of variance (ANOVA) and t-tests were used to determine differences between variables. When an effect was significant in the ANOVA, post hoc tests were used to determine which dependent variables differed significantly (Field, 2007:340).

Pearson product-moment correlation coefficients were used to specify the relationships between the variables. Multiple regression analyses were used to investigate the effects of the variables in this study (Field, 2007:125).

1.6.2.3 Survey results

This survey yielded the following biographical results as indicated in Table 1.2:

Table 1.2: Background information of the respondents (n=163)

| Item | Category | Frequency | Percentage |
|-------------------|--------------|-----------|------------|
| Gender | Male | 111 | 68,1 |
| | Female | 52 | 32,1 |
| Age group | Under 30 | 38 | 23,3 |
| | 30 – 39 | 74 | 45,4 |
| | 40 – 49 | 31 | 19,0 |
| | 50 and older | 20 | 12,2 |
| Ethnic background | Black | 2 | 1,2 |
| | White | 158 | 96,9 |

| | | | |
|-----------------------------|----------------------------------|----|-------|
| | Indian | 1 | 0,6 |
| | Other | 2 | 1.2 |
| Level of formal education | Grade 12 | 11 | 6,7 |
| | Diploma/Certificate | 35 | 21,5 |
| | Bachelors Degree | 45 | 27,6 |
| | Postgraduate | 72 | 44,2 |
| Type of visa | Ancestry Visa | 8 | 5,1 |
| | Highly Skilled Migrant Programme | 25 | 15,8 |
| | Work Permit | 26 | 16.0 |
| | Spouse Visa | 12 | 7.4 |
| | Permanent Residence | 71 | 43.6 |
| | Two-year working holiday | 6 | 3,7 |
| | Student | 4 | 2.5 |
| | Other | 11 | 6.7 |
| Years of residence in UK | Less than 1 year | 4 | 2,5 |
| | 1 – 5 years | 67 | 41,1 |
| | 6 – 10 years | 76 | 46,6 |
| | More than 10 years | 16 | 9,8 |
| Years working experience | 1 – 5 years | 25 | 15,3 |
| | 6 – 10 years | 53 | 32,5 |
| | More than 10 years | 85 | 52,1 |
| Business sector involved in | Manufacturing | 9 | 5,5 |
| | Retail and Wholesale | 8 | 4,9 |
| | Financial | 31 | 19,0 |
| | Real estate | 14 | 8,6 |
| | Medical | 11 | 6,7 |
| | Legal | 5 | 3,1 |
| | Information Technology | 26 | 16,0 |
| | Other | 59 | 36,19 |
| Legal status of business | Sole Proprietorship | 21 | 13,0 |
| | Partnership | 14 | 8,7 |
| | Close Corporation | 6 | 3,7 |

| | | | |
|--|-----------------|----|------|
| | Private Company | 59 | 36,6 |
| | Public Company | 41 | 25,5 |
| | Other | 22 | 13,5 |

Most of the respondents were male (68,1%) whilst 68,7% were under the age of 39 and 96,9% were white. In total, 93,3% had a post-Grade12 qualification with 71,8% having either a Bachelors degree or a postgraduate qualification. Most of the respondents (87,7%) have been residing in the United Kingdom between 1 to 10 years with 46,6% between 6 to 10 years. In total, 84,6% of the respondents had more than six years' working experience. Not one industry stood out as a preferred employer, but the financial sector employed the majority of the respondents (19,0%). Most of the respondents were employed by either a private (36,6%) or a public company (25,5%).

1.6.2.4 Limitations of the study

This study had the following limitations:

- The exclusion of a longitudinal design study to determine causal relationships between the variables should be seen as a limitation. However, this study could serve as a pilot study for a longitudinal study.
- Despite numerous attempts to secure a database to which direct letters and questionnaires could be sent, it was not possible because of the United Kingdom Data Protection Act (1998:1). It was decided that the only way of reaching the expatriates was by informing them of the questionnaire in newsletters and other communiqués of the different role players mentioned in Table 1.1.

1.7 CHAPTER CLASSIFICATION

The chapter classification for this study is as follows:

Chapter 1: Introduction, Problem statement, Goals and Objectives, Research Methodology and References

Chapter 2: Article 1 – *The reasons why potential entrepreneurs leave South Africa*

In this article, the reasons for leaving South Africa by potential entrepreneurs were established from a group of expatriates working and living in the United Kingdom and who have indicated that they might return one day to start their own business. It will also be established under what conditions they might return to their country of birth.

Chapter 3: Article 2 – *Is the entrepreneurial climate in South Africa conducive for the involvement by expatriate-entrepreneurs?*

International research has shown that the number of new business start-ups, and thus the level of TEA is dropping in South Africa. In this article, this phenomenon is researched and recommendations are suggested on how new start-ups and especially returning expatriates wishing to start their own businesses, could be accommodated.

Chapter 4: Article 3 – *South African expatriate-entrepreneurs: a framework for involvement and value exchange*

A framework for involvement and value exchange between South Africans and South African expatriates was suggested. It does not only include returning expatriates as entrepreneurs or potential entrepreneurs but also suggests ways and means of accommodating expatriates still living abroad, with no intention of returning to their country of birth.

Chapter 5: Conclusions, Limitations and Recommendations

This chapter summarises the main findings and recommendations of the study.

Annexure 1: Questionnaire used in survey

Annexure 2: Descriptive statistics

1.8 SUMMARY

This chapter set out the problem statement, the goals and objectives of the study, the research methodology employed and the chapter division. Chapter 2 is the first article.

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CHAPTER 2

THE REASONS WHY POTENTIAL ENTREPRENEURS LEAVE SOUTH AFRICA

ABSTRACT

South Africans leaving their country of birth is an old phenomenon. As many political refugees from the previous government returned after 1994, many South Africans, regarded by some as privileged in the previous dispensation, left the country. The factors leading to the emigration can be classified into three distinctive groups, namely, economic, political and socio-economic. Among these factors some might be regarded as negative, or “push” factors like crime and violence that push people away from their home country, whilst at the same time there might be other positive, or “pull” factors, that attract people to a new destination, like better work opportunities.

Stratified and snowball sampling techniques were used in this research and a group of 163 expatriates from South Africa, now residing mainly in London in the United Kingdom, completed the questionnaire. The questionnaire was posted on the Internet and it could be accessed by way of a website link in the different media that were used for this survey. This media reached almost 150 000 individuals in 10 databases.

Most of the respondents (55,8%) have indicated that they would like to return to South Africa on a permanent basis. It is significant that 53,3% of the respondents with permanent residency in the United Kingdom are contemplating to return to their country of origin. The reasons are diverse, but being far from family and friends, the weather in London and new opportunities in South Africa are the main reasons for this turnaround.

This study has shown that the profile of South African expatriates, who consider themselves as potential entrepreneurs, do not differ regardless of gender, age, level of education or type of visa, as far as political climate, economical conditions, lifestyle or entrepreneurial conditions as reasons for leaving South Africa are concerned.

OPSOMMING

Suid-Afrikaners wat hul land van geboorte verlaat is 'n ou verskynsel. Soos wat baie politieke vlugteling van die vorige regering ná 1994 teruggekeer het, het heelwat Suid-Afrikaners, wat deur sommige as bevoorregtes in die ou politieke bestel beskou is, die land verlaat. Die faktore wat aanleiding tot hierdie emigrasie gee, kan in drie duidelik onderskeibare groepe verdeel word, naamlik, ekonomies, polities en sosio-ekonomies. Sommige van hierdie faktore mag beskou word as negatief, of "drukfaktore", soos misdad en geweld, wat mense vervreem van hul geboorteland. Daar is egter ook terselfdertyd ander positiewe, of "trekfaktore", soos beter werksgeleenthede, wat mense na 'n nuwe bestemming kan lok.

Daar is van gestratifiseerde- en sneeubal-steekproeftegnieke in hierdie navorsing gebruik gemaak en 163 uitgewekenes van Suid-Afrika, wat nou hoofsaaklik in Londen in die Verenigde Koninkryk bly, het die vraelys voltooi. Hierdie vraelys was beskikbaar gestel op die Internet en toegang kon verkry word deur 'n skakel na 'n webtuiste wat spesifiek vir hierdie navorsing gebruik is. Die verskillende media wat die navorsing ondersteun het, het die skakel beskikbaar gestel. Hierdie media het bykans 150 000 individue in 10 databasisse bereik.

Die meeste van die respondente (55,8%) het aangedui dat hulle graag na Suid-Afrika wil terugkeer op 'n permanente basis. Dit is insiggewend dat 53,3% van die respondente wat oor permanente verblyfreg in die Verenigde Koninkryk beskik, dit oorweeg om terug te keer na hul land van geboorte. Die redes is uiteenlopend, maar die feit dat daar 'n groot afstand tussen hulle en hul familie en vriende bestaan, die weersomstandighede in Londen en nuwe geleenthede in Suid-Afrika, dra almal by tot hierdie ommekeer.

Hierdie studie het getoon dat die profiel van Suid-Afrikaanse uitgewekenes, wat hulself beskou as potensiële entrepreneurs, glad nie verskil ten opsigte van geslag, ouderdom, vlak van opvoeding of tipe visa nie, veral met betrekking tot faktore soos politieke klimaat, ekonomiese toestande, lewenstyl of entrepreneuriese toestande as redes waarom hulle Suid-Afrika verlaat het nie.

2.1 INTRODUCTION

The end of the cold war between the Western world and the East bloc countries, and more specific, between the United States of America and the Soviet Union, during the 1980s, led to a major change as far as the opening of world economies were concerned. The simultaneous improvement of worldwide infrastructure in respect of air and coastal ports, international trade agreements and even the information explosion, which was a result of faster and better computer technology, all led to a new and changing business environment. Capital can be transferred from one continent to another within seconds and information exchanged almost immediately. International trade has become easier, faster and more sophisticated, and work opportunities are no longer restricted to a person's country of birth, and globalisation is here to stay (Scholte, 1997:431; Haffajee, 2001:36).

The new "borderless" world economy has major implications for the mobility of especially skilled persons and if lucrative salaries are offered in a new country, coupled to negative factors in a home country, the decision to leave one's country for another is much easier (Baruch, Budhwar & Khatri, 2007:99).

In South Africa, there was a new political dispensation and the ANC broke the political stronghold of the previous white regime for the first time in 1994. Many expatriates that left the country because of apartheid now returned to their country of birth, but at the same time there was also a marked increase in the emigration of white people (Bornman, 2005:397). Uncertainty of the new government had too many risks and many South Africans decided to seek employment or a new life elsewhere (Bailey, 2003:235).

This exodus of whites was a result of globalisation (Baruch, 1995:314), crime (Van Rooyen 2000:73), black economic empowerment (Bornman, 2005:389), politics (Bailey, 2003:247), declining quality of life (Mattes & Richmond, 2000:27), and better job opportunities (Manik, 2007:58).

In South Africa's case, the movement of people to another country can be attributed to a combination of both positive and negative factors, whether it is an opportunity to earn a better living in another country, or some form of dissatisfaction with the circumstances in the home country (Mattes & Richmond, 2000:28; Bailey, 2003:240; Weil, 2002:46; Meyer, 2001:92; Mattes & Mniki, 2007:25). Expatriate-entrepreneurs are by nature opportunity seekers and more risk orientated, and if the situation dictates, a movement to another country would be considered.

The goal of this study was to determine the reasons why potential expatriate-entrepreneurs have left South Africa and the prerequisites for their return.

2.2 LITERATURE STUDY

The factors leading to migration are widely discussed in literature (Bailey, 2003:247, Baruch *et al.*, 2007:100-101, Bornman, 2005:387-391). In the context of the migration of potential entrepreneurs, the terms globalisation and emigration should be defined first before these factors are studied.

2.2.1 Globalisation

Globalisation is seen as the opening of borders to allow movements between countries in order to create an open, borderless world economy (Scholte, 1997:431). The ease by which goods, money, people, information and communication can now be transferred across borders, describes the globalisation function as "liberalisation". It can also be seen as "internationalisation" – the cross-border relations between countries; or "universalisation" – where global is used in the sense of being "worldwide"; or "westernisation" – where capitalism and industrialism are spread all over the world (Scholte, 1997:430-431). Globalisation is also described as the integration of business activities across geographical and organisational boundaries (Baruch, 1995:313). Globalisation has important implications for the mobility of people, and the mere fact that skills can be sourced from virtually anywhere in the world has an effect on the brain drain of any country (Baruch *et al.*, 2007:99).

Highly skilled migrants represent an increasingly large component of global migration streams and even though the numbers of professional migrants worldwide are unknown, it is estimated that there are 1,5 million professionals from developing countries in the industrial countries alone (Iredale, 2001:8). The fact that international standards apply in certain professions has made it easier for professionals to move across borders. The common curricula and standards for medical practitioners have, for example, made automatic registration within the British Commonwealth countries possible, which allowed cross-border movement (Iredale, 2001:10).

2.2.2 Emigration

Emigration is the process where individuals who stay in a particular country decide to leave that country to stay and work in another country. Emigration can be defined as the departure from a home country to another country with the intention of acquiring permanent residence (Online Oxford English Dictionary, 2009:1). When a person leaves one country to settle in another, it can be defined as emigration (Du Preez, 2002:80; 1976:338). Highly skilled migrants have become an important and much discussed international phenomenon.

Over the past decade, emigration has become a much researched topic in South Africa (Myburgh, 2004:122; Crush, McDonald & Williams, 2000:1; Crush & Williams, 2005:17-18; Meyer, Brown & Kaplan, 2000:13; Ericsson, 2003:1; Van Rooyen, 2000:87; Nduru 2004:2). South Africans leaving their country of birth is not a new phenomenon. The country has experienced a loss of highly skilled individuals since before 1994 (Bailey, 2003:235). During this era, many South Africans left the country for political reasons (Bailey, 2003:240). This trend was set to continue in the post 1994 years. Additional reasons for migration were more evident than before.

The factors leading to emigration from South Africa can be classified into three distinctive groups, namely, economic, political and socio-economic:

- **Economic factors**

These factors are often seen as the most important reasons for emigration (Bornman, 2005:388). Lucrative salaries offered abroad, the level of taxation,

the opportunity to gain international work experience, and more job opportunities could be seen as economic factors. Even though the economic factors were listed traditionally as the main reason for skills migration (Adepoju 1984:444), the economic gains must be significant enough to warrant migration from the home country (Ojo, 1990:631).

- **Political factors**

Factors such as affirmative action and Broad Based Black Economic Empowerment (BBBEE) as well as job reservation are political (Bailey, 2003:247). Originally, the strategy of black economic empowerment was implemented to include the majority of South Africans in the participation in the economy. Many white people, however, feel threatened by this policy and it is seen as one of the main reasons for the brain drain or emigration of highly skilled South Africans (Korte, 2005:13).

- **Socio-economic factors**

Among the most important factors are crime, poor living conditions, standards of education in the home country and better career opportunities abroad (Fourie, 2006:12). Social factors such as violence and racism are also major contributors towards emigration from South Africa (Oosthuizen & Ehlers, 2007:16).

Among the various economical, political or socio-economical factors that influence emigration, there are those negative factors that might push people away from the home country whilst at the same time there might be other positive factors, such as better work opportunities or an improved quality of life, that might pull people to a new destination (Baruch *et al.*, 2007:100). Conversely, the same theory applies when people decide to repatriate.

2.2.3 Pull and push factors

Factors contributing to migration can be collated under two categories, namely the “pull” factors and the “push” factors (Baruch *et al.*, 2007:100). Numerous studies

(Manik, 2007:58-60; Mattes & Mniki, 2007:33-41; Mattes & Richmond, 2000:26-34; Myburgh, 2004:126; Sriskandarajah & Drew, 2006:2) have used these pull and push factors to identify the reasons why people migrate from one area or country to another.

2.2.3.1 Pull factors

Pull factors are those positive factors or conditions that exist or are perceived to exist in another country that will make a person decide to emigrate to that country (Mattes & Richmond, 2000:32). These factors might include one or a combination of the following:

- Better work opportunities;
- A variety of career choices;
- An improved lifestyle;
- More opportunities to gain work experience;
- More entrepreneurial opportunities;
- A better entrepreneurial climate; and
- Social networks with colleagues, family or friends in another country.

A major pull factor for skilled South Africans could be seen as the lucrative salary packages offered by businesses in North America, Europe and Australia (Rogerson & Rogerson, 2000:47-48). The opportunity to gain work experience abroad (Manik, 2007:58), the possibility of a better or a variety of career choices (Bornman, 2005:395), or just the prospect of improving the lifestyle (Baruch *et al.*, 2007:100) might influence an individual's decision to move abroad.

Another factor that pulls South Africans abroad is the network that already exists of which the potential expatriate is part of. The perception that people might think conditions in another country are better than in South Africa might be influenced by the personal contact with people, or a network of people in the other country (Mattes & Richmond, 2000:33).

A significant number of skilled South Africans, especially whites, have been touched by emigration in direct ways. Twenty percent of skilled whites say a member of their immediate family lives and works abroad and 36% say a member of the extended family has left. More than half (59%) know a close friend who has left the country in 2000 (Mattes & Richmond, 2000:34). Networks are formed by diaspora with other expatriates not only to benefit themselves, but, in the process, they also create opportunities for family and friends back home (Kuznetsov & Sabel, 2006:7). Through these networks links are created which can connect them to the country of origin without any physical, temporary or permanent return (Mutume, 2003:2).

Table 2.1 provides a summary of pull factors comparing South Africa with overseas destinations. This survey was done among skilled South Africans still living in South Africa to determine the potential for emigration (Mattes & Richmond, 2000:18). Skilled persons are defined as those people who have received specialised training that resulted in superior technical competence, talent or abilities that could be applied in professional occupations (Mattes & Richmond, 2000:12). It can include those people whose experience in a particular field is considered to be as extensive as, or equivalent to, formal higher education (Iredale, 2001:8). Higher levels of education can also be associated with significantly higher levels of entrepreneurial activity. People who have Grade 12 and those who have a tertiary education are significantly more likely to own and manage a start-up than those without it. Adults with tertiary education are twice as likely to own and manage an own business than those without tertiary education (Driver, Wood, Segal & Herrington, 2001:27).

Table 2.1: Comparison between South Africa and overseas destination

| Better or much better overseas | Total % (N=725) | % of Whites | % of Blacks |
|---|----------------------------|------------------------|------------------------|
| Personal safety | 80 | 86 | 55 |
| Family's safety | 80 | 86 | 53 |
| Upkeep of public amenities | 72 | 81 | 32 |
| Medical services | 59 | 66 | 27 |
| Availability of quality affordable products | 62 | 69 | 34 |
| Customer service | 67 | 76 | 36 |
| Level of taxation | 61 | 64 | 46 |
| Taxation | 52 | 57 | 28 |
| Cost of living | 54 | 55 | 38 |
| Job | 43 | 48 | 42 |
| Prospects for professional advancement | 49 | 49 | 46 |
| Job security | 52 | 53 | 46 |
| Level of income | 60 | 61 | 52 |
| Ability to find a desirable house | 28 | 25 | 30 |
| Ability to find a good school for children | 53 | 56 | 38 |
| Future of children | 65 | 73 | 32 |

Source: Mattes and Richmond (2000:32)

From the above responses, it is evident that skilled South Africans are of the opinion that social conditions such as personal and family safety, political conditions such as the upkeep of public amenities and the level of taxation, and economic conditions such as the availability of quality affordable products are better abroad.

2.2.3.2 Push factors

Push factors are those negative factors or conditions that exist or are perceived to exist in the home country that will influence a person's decision to emigrate to another country (Baruch *et al.*, 2007:100). Negative factors rated high by both white and black skilled professionals include (Mattes and Richmond, 2000:28; Rogerson & Rogerson, 2000:47; Bornman, 2005:389):

- The cost of living;
- Levels of taxation;

- Personal safety and family security;
- The standard of commercial services in South Africa;
- Globalisation;
- Crime and violence;
- Racism;
- Cultural differences;
- The lack of an ethnical dream;
- Falling standards of education;
- Healthcare;
- Endemic corruption in the public service;
- BBBEE and the discrimination against whites as far as employment practices are concerned; and
- Perceived discrimination against entrepreneurs as a result of BBBEE.

One of the most prominent push and pull factors is the deteriorating safety situation in the country. South Africa experiences high levels of violent crime which influences many people to emigrate (Rogerson & Rogerson, 2000:47). There is, however, another point of view that questions the validity of this reason and that is that crime and violence is used as a politically-correct reason for emigration, but that other, more deep-rooted social and political reasons, such as racism, loss of political power and a strong social and group identity are the real causes for people emigrating (Bornman, 2005:389).

Table 2.2 provides a summary of push factors that can influence skilled professionals, who are dissatisfied with the quality of life in South Africa, to emigrate. From these responses, it is clear that the highest levels of dissatisfaction are with economic conditions such as cost of living (71% of the respondents are dissatisfied) and the present level of taxation (74%). Personal safety and security concerns (66%) also rated very high for all race groups. The vast majority of respondents were pessimistic about future economic (78%) and security conditions (75%).

Table 2.2: Dissatisfaction with quality of life in South Africa

| Dissatisfied or very dissatisfied with | Total % (N=725) | % of Whites | % of Blacks |
|---|--------------------|----------------|----------------|
| Cost of living | 71 | 72 | 64 |
| Present level of taxation | 74 | 75 | 74 |
| Relative share of taxes paid in comparison to others | 59 | 59 | 59 |
| Personal safety | 66 | 65 | 61 |
| Family's safety | 68 | 69 | 54 |
| Upkeep of public amenities (e.g. parks, beaches, toilets) | 70 | 79 | 37 |
| Customer service | 56 | 65 | 27 |
| Future of children in South Africa | 55 | 61 | 29 |
| Availability of affordable/quality products | 28 | 29 | 31 |
| Job | 23 | 18 | 39 |
| Security of job | 26 | 20 | 44 |
| Level of income | 37 | 30 | 60 |
| Prospects for professional advancement | 30 | 32 | 35 |
| Ability to find the house wanted | 21 | 17 | 37 |
| Ability to find a good school for children | 27 | 27 | 27 |
| Ability to find medical services for family | 21 | 19 | 23 |

Source: Mattes and Richmond (2000:28)

As far as political dissatisfaction is concerned, there is a major difference by race with the whites being extremely alienated from the political process compared to blacks. For example, 67% of blacks, but only 17% of whites approved the performance of the national government over the preceding twelve months in 2000. On the other hand, 83% of whites, but only 20% of blacks opposed the government's affirmative action policies (Mattes & Richmond, 2000:32). This is a clear indication that white skilled workers were unsettled with the new political dispensation.

It is, however, not clear whether the full implications of BBBEE are fully understood by potential entrepreneurs who left the country. The strategy of black economic empowerment had the intention originally to include the majority of South Africa's people in the participation of the economy in such a way that it could meet the needs of all her people in a sustainable manner. Many white people, however, feel threatened by this policy and it is seen as one of the main reasons for the brain drain or emigration of highly skilled South Africans (Korte, 2005:13).

2.2.4 Return migration

There is evidence of return migration of South African expatriates taking place (Keenan, 2002:12; Petzer, 2003:18; Fourie, 2006:53; Van der Merwe, 2002:63). Research done for the United Nations Expert Group Meeting on International Migration and Development, found that only 10% of professionals living abroad indicated that they would never return to South Africa (Crush & Williams 2005:21). When highly skilled expatriates decide to return to their country of origin, the "brain circulation" is to the benefit of both countries (Fourie, 2006:6-9).

There seems to be a variety of reasons why the expatriates return (Fourie, 2006:53). Many South Africans go overseas to pay off debts and return after about five years (Robinson, 2003:1). Others do it for social reasons. Their deep desire to return home and live among their own people never disappears (Versi, 2003:11).

There are also many expatriates who want to return to South Africa, but the factors that pushed or pulled them from South Africa, still exist. They may or may not return, but this does not mean that they have become less patriotic or disloyal to South Africa. The desire to reconnect or stay in contact with South Africa is still very strong (Botha & Baxter, 2005:84-85).

2.3 RESEARCH METHODOLOGY

In view of the geographical area covered, a survey-based research design was deemed to be best suitable for this study. Information was elicited from individuals

who were presumed to have the information that was sought and who were willing to communicate this information to the researcher (Hofstee, 2006:122). The research of this study consists of an extended literature study and survey-based empirical research.

2.3.1 Literature study

The literature study conducted included utilising computer-based searches according to the key words identified in the list of key terms. The purpose of the literature study was primarily to provide a scientific basis for the theory and recognising prior research done on this topic. To determine the reasons why potential entrepreneurs left South Africa, the researcher consulted secondary sources. Information gathered in this manner was collected from journals, articles, press reports, textbooks and research studies. This was done to gather appropriate information so that it could be analysed and compared to the findings of the empirical research.

2.3.2 Empirical research

To substantiate the findings from the literature study, the researcher conducted a survey through administering a web-based research questionnaire. The purpose of this survey was to gather quantitative data of certain aspects of the studied population. The method of collecting information was by posing structured and predefined questions.

Making use of both stratified and snowball sampling resulted in a convenience sample of 163 ex-South Africans now living and working mainly in London, England. This data should be considered as generated from a small number of respondents for which statistical inference and p-values are not relevant (Ellis & Steyn, 2003:51).

2.3.3 Measuring instrument

A questionnaire as measuring instrument was used to establish the reasons why potential entrepreneurs leave South Africa. The two components of the questionnaire

applicable to this study were biographical information and questions relating to migration.

The biographical section was used to obtain information about the expatriate. Questions in this section related to the respondent's gender, age, ethnic background, level of formal qualification, type of visa, years of residence in the UK, years of working experience, primary industry involved with and the legal status of the business.

In the section relating to migration the respondents were asked to identify with the factors that might have led to migration. Political factors like BBBEE, job reservation and affirmative action, economic factors like lucrative salaries offered abroad, the level of taxation and cost of living, and social factors like crime and violence, standards of education and the quality of medical services were posed to the respondents as reasons for their decisions to emigrate.

2.3.4 Data analysis

The Statistical Package for the Social Sciences Incorporated (SPSS Inc) version 16 of 2008 was used to statistically analyse the data collected in the survey. Descriptive statistics (means and standard deviations) were used to analyse the data. Construct validity of the questionnaire was assessed by means of an exploratory factor analysis. Cronbach alpha coefficients were used to assess the reliability of the measuring instrument (Field, 2007:666).

T-tests were used to determine differences between gender, age groups and type of visa for the variables *political climate*, *economics*, *lifestyle* and *entrepreneurial opportunity* as factors impacting the decision to leave South Africa as well as the variables *economic wellness*, *effective government*, *lifestyle* and *entrepreneurial opportunity* as factors that could compare the existing circumstances in the new country to those that existed in South Africa before they left.

Box plots and error bars were used to compile the profile of the respondents concerning the extracted constructs. Effect sizes indicate whether obtained results

are important. Effect sizes were calculated in order to determine the practical significance of difference in means. A cut-off point of 0.20 (small effect), 0.50 (medium effect) and 0.80 (large effect) was set for practical significance testing. An effect size, equal or larger than 0.50, can thus be considered as practically significant (Ellis & Steyn, 2003:51-53).

2.4 RESULTS

2.4.1 Survey respondents

As far as gender is concerned, most of the respondents were male (67,9%). The survey showed that 68,7% of the respondents were under the age of 39. In total, 93,3% had a post-grade 12 qualification with 71,8% having either a Bachelors degree or a postgraduate qualification. Most of the respondents (87,7%) have been residing in the United Kingdom between 1 to 10 years with 46,6% between 6 to 10 years.

2.4.2 Type of visa used by respondents and years of residence in the UK

The largest segment of the respondents obtained permanent residence in the United Kingdom (UK) totalling 46,6%. The second largest group represented in the sample were those with work permits (16,0%), whilst those who obtained entry to the UK on a highly skilled migrant programme were the third largest (15,8%). It is also significant that almost half (46,6%) of the respondents have been residing in the UK for longer than six years.

2.4.3 Factor analysis

An exploratory factor analysis was used as a method to identify factors that impacted expatriates' decision to leave South Africa and another factor analysis on the comparison of these factors in the new country in relation to the same factors as they existed in South Africa before the expatriates left. To improve the interpretation of the extracted factors, factor rotation was used to discriminate between the factors.

When there is a theoretical reason to believe that the extracted factors are correlated, an oblique rotation should be performed (Field, 2007:636).

Eighteen items were used in the exploratory factor analysis to construct both the factors that impact South Africans wishing to leave their country of origin as well as the comparison of these factors in the new country in relation to the same factors as they existed in South Africa before the expatriates left. There was theoretical justification to believe that extracted factors were correlated and therefore an oblique rotation was done (Field, 2007:636).

The correlation coefficients for each pair of variables were based on all the cases with valid data for that pair. The factor analysis was based on these correlations.

2.4.3.1 Factor analysis 1

The first analysis focused on the different factors that had an impact on South African expatriates' decision to leave. The factor analysis was performed to identify the essential reasons why South African expatriates decided to leave their country of origin. The analysis of the eighteen items resulted in the identification of four constructs labelled as *political climate*, *economics*, *lifestyle* and *entrepreneurial opportunity*. These four constructs, with eigenvalues >1, explain 65.065% of the variance before rotation. After rotation (Oblimin with Kaiser normalisation), two items ("standards of education" and "cost of living") loaded onto more than one construct. Rather than to delete these items, it was decided, from an interpretation point of view, to classify "standards of education" under factor 1.2, *political climate* and "cost of living" under factor 1.3, *lifestyle*.

Table 2.3: Factor analysis on factors that impacted South Africans' decision to leave the country (pattern matrix)

| Item | Construct | Construct | Construct | Construct |
|--|-----------------------------|------------------|------------------|---------------------------------------|
| | 2.1 Political Climate | 2.2 Economics | 2.3 Lifestyle | 2.4 Entrepreneurial Opportunity |
| Political in general | 0.798 | 0.193 | -0.085 | -0.006 |
| Crime and violence | 0.785 | -0.160 | 0.288 | -0.050 |
| Personal safety and family security | 0.772 | -0.169 | 0.250 | -0.104 |
| Black Economic Empowerment | 0.772 | 0.189 | -0.225 | -0.049 |
| Affirmative action | 0.762 | 0.315 | -0.233 | -0.025 |
| Racism | 0.657 | -0.073 | 0.159 | -0.244 |
| Standard of education | 0.507 | 0.000 | 0.487 | 0.065 |
| Variety of career choices | 0.163 | 0.787 | -0.057 | -0.014 |
| Opportunity to gain work experience | -0.084 | 0.735 | 0.032 | 0.034 |
| Economical in general | 0.196 | 0.636 | 0.146 | -0.111 |
| Lack of good working conditions | -0.019 | 0.608 | 0.219 | -0.274 |
| Social in general | 0.133 | 0.163 | 0.788 | 0.106 |
| Lifestyle | -0.104 | 0.028 | 0.732 | -0.094 |
| Entrepreneurial climate | 0.008 | 0.022 | -0.143 | -0.895 |
| Lack of entrepreneurial opportunities | -0.149 | 0.163 | 0.101 | -0.770 |
| The lack of an ethnic dream | 0.356 | -0.122 | -0.135 | -0.593 |
| Levels of taxation | 0.231 | 0.036 | 0.120 | -0.529 |
| Cost of living | -0.097 | 0.274 | 0.401 | -0.428 |

(1) Loadings greater than 0.400 were considered significant.

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

Construct 2.1: Political climate

Construct 2.2: Economical conditions

Construct 2.3: Lifestyle

Construct 2.4: Entrepreneurial opportunities

The Kaiser-Meyer-Olkin measure of sampling adequacy measured a value of 0.816 for the different factors in this group. This value indicates that the factor analysis can be regarded as very reliable for this sample size. Bartlett's test of sphericity yielded a p-value smaller than 0.0001 which indicated that the correlation between the variables is sufficient for factor analysis.

Construct 2.1, labelled as *political climate*, comprised the following seven items: “political in general”, “crime and violence”, “personal safety and family security”, “Broad-Based Black Economic Empowerment”, “affirmative action”, “racism” and “standards of education”. It is apparent that expatriates felt threatened by the political situation in South Africa and that this is seen as one of the main reasons for the brain drain or emigration of highly skilled South Africans.

Construct 2.2, labelled as *economics*, include the following four items: “variety of career choices”, “opportunity to gain work experience”, “economical in general” and “lack of good working conditions”. Many of these items can be considered as pull factors.

Construct 2.3, collectively labelled as *lifestyle* includes the items “social in general”, “lifestyle” and “cost of living”.

Construct 2.4, labelled as *entrepreneurial opportunity* includes the items “entrepreneurial climate”, “lack of entrepreneurial opportunities”, “lack of an ethnic dream” and “levels of taxation”.

This exploratory factor analysis, together with the interpretability of the factors, provides evidence of construct validity.

2.4.3.2 Factor analysis 2

The second analysis focused on the present circumstances of expatriates in the UK, compared to those that existed in South Africa before they decided to leave. This factor analysis was performed to identify the most predominant circumstances between the country of origin, South Africa and the host country, the UK. The analysis of the eighteen items resulted in the identification of five constructs labelled as *economic wellness*, *effective government*, *entrepreneurial opportunities*, *lifestyle and cost of living*. These five constructs, with eigenvalues >1, explain 66.678% of the variance before rotation. After rotation (Oblimin with Kaiser normalisation), four items loaded onto more than one construct (value greater than 0.400). Rather than to

delete these items, it was decided to classify it under those factors where it would, from an interpretation point of view, have the most value.

The exploratory factor analysis, together with the interpretability of the factors, provides evidence of construct validity.

Table 2.4: Factor analysis on present circumstances compared to those that existed before leaving South Africa (pattern matrix)

| Item | Construct 2.5 Economic wellness | Construct 2.6 Effective government | Construct 2.7 Entrepreneurial opportunities | Construct 2.8 Lifestyle | Construct 2.9 Cost of living |
|-------------------------------------|--|---|--|-------------------------------|---------------------------------------|
| Opportunity to gain work experience | 0.710 | 0.036 | 0.377 | -0.082 | 0.059 |
| Variety of career choices | 0.696 | 0.069 | 0.121 | -0.320 | -0.019 |
| Affirmative action | 0.523 | -0.516 | -0.054 | 0.081 | 0.110 |
| BBBEE | 0.465 | -0.434 | -0.331 | -0.010 | 0.148 |
| Economical in general | 0.452 | -0.111 | 0.035 | -0.016 | 0.448 |
| Crime and violence | -0.083 | -0.861 | 0.089 | 0.022 | 0.076 |
| Personal safety and family security | 0.070 | -0.828 | 0.014 | -0.023 | 0.110 |
| Racism | 0.081 | -0.730 | -0.100 | -0.132 | 0.009 |
| Standards of education | -0.064 | -0.541 | 0.408 | -0.122 | -0.365 |
| Political in general | 0.327 | -0.524 | 0.110 | -0.093 | -0.047 |
| Ample entrepreneurial opportunities | 0.132 | -0.060 | 0.799 | 0.015 | 0.192 |
| Entrepreneurial climate | 0.081 | -0.015 | 0.761 | -0.044 | 0.139 |
| Lifestyle | -0.074 | 0.077 | -0.102 | -0.931 | 0.116 |
| Social in general | 0.004 | -0.174 | 0.057 | -0.739 | -0.154 |
| Lack of good working conditions | 0.319 | -0.032 | 0.008 | -0.610 | 0.037 |
| The lack of an ethnic dream | 0.078 | 0.021 | 0.265 | -0.439 | 0.292 |
| Cost of living | 0.021 | 0.011 | 0.154 | -0.032 | 0.713 |
| Levels of taxation | -0.157 | -0.279 | 0.115 | -0.189 | 0.576 |

(1) Loadings greater than 0.400 were considered significant.

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

Construct 2.5: Economic wellness

Construct 2.6: Effective government

Construct 2.7: Entrepreneurial opportunity
Construct 2.8: Lifestyle
Construct 2.9: Cost of living

The Kaiser-Meyer-Olkin measure of sampling adequacy measured a value of 0.844 for the different factors in this group. This value indicates that the factor analysis can be regarded as very reliable for this sample size. Bartlett's test of sphericity yielded a p-value smaller than 0.0001 which indicated that the correlation between the variables is sufficient for factor analysis.

Construct 2.5, labelled as *economic wellness*, includes the following five items: "opportunity to gain work experience", "variety of career choices", "affirmative action", "Broad-Based Black Economic Empowerment", and "economical in general".

Construct 2.6, labelled as *effective government*, comprised five items. "Crime and violence", "personal safety and family security", "standards of education", "racism" and "political in general" were all classified under this factor. "Affirmative action" and "Broad-Based Black Economic Empowerment" loaded under both *economic wellness* and *effective government*. Rather than to delete these items it was decided, from an interpretation point of view and also because it yielded the higher factor loading, to load it under *economic wellness*.

Construct 2.7 comprised two items: "ample entrepreneurial opportunities" and "entrepreneurial climate", and is labelled as *entrepreneurial opportunities*. The item, "standards of education", also loaded under this construct but was rather included under the factor, *effective government*, from an interpretation point of view.

Construct 2.8 labelled as *lifestyle* comprised four items, namely, "lifestyle", "social in general", "lack of good working conditions" and "lack of an ethnic dream".

Construct 2.9 includes three items and is labelled *cost of living*. The items, "cost of living" and "levels of taxation" are loaded onto this factor. The item, "economical in general" also loaded onto this factor, but it was decided to include it under the construct *economic wellness*, rather than to delete this item.

2.4.4 Reliability of the constructs

Cronbach's alpha coefficients were calculated so that the internal consistency between the items of the measuring instrument could be evaluated. Reliability means that the scale should consistently reflect the construct it is measuring. An instrument, such as a questionnaire, that produces different scores every time it is used under the same conditions, has low reliability (Field, 2007:666).

2.4.4.1 Reliability of the constructs that measured the factors that impacted the decision of expatriates to leave the country

Table 2.5 measures the reliability of the constructs that were extracted from the different items in the questionnaire to determine those factors that played a role in the decision to leave the country.

Table 2.5: Reliability of constructs on decision to leave

| Constructs | Cronbach alpha |
|-------------------------------|----------------|
| Political climate | 0.893 |
| Economics | 0.787 |
| Entrepreneurial opportunities | 0.758 |
| Lifestyle | 0.670 |

Three of the constructs that measured the decision of expatriates to leave the country have higher Cronbach alpha coefficients than 0.7, whilst one factor is just below 0.7. Even though values of 0.7 - 0.8 are acceptable values for Cronbach's alpha (Field, 2007:668), values below 0.7 can even be more suitable when dealing with psychological constructs (Kline, 1999:136). However, the greater the Cronbach alpha coefficient, the more reliable the scale is. The above can thus be regarded as acceptable reliability.

2.4.4.2 Reliability of the constructs that measured the present circumstances of expatriates compared to those that existed before leaving South Africa

Table 2.6 measures the reliability of the constructs that were extracted from the different items in the questionnaire to measure those factors that compare the present circumstances with those that existed before leaving South Africa.

Table 2.6: Reliability of constructs that measured circumstances

| Constructs | Cronbach alpha |
|-------------------------------|----------------|
| Economic wellness | 0.811 |
| Effective government | 0.789 |
| Entrepreneurial opportunities | 0.816 |
| Lifestyle | 0.772 |
| Cost of living | 0.461 |

Four of the factors that measured the decision of expatriates to leave the country have high Cronbach alpha coefficients. Reliability is thus acceptable.

2.4.5 Descriptive statistics

Descriptive statistics are used to describe the basic features of data in a study and they provide basic summaries about the sample and the measures to understand them better. It also includes univariate analysis where one variable is examined at a time.

2.4.5.1 Differences in means of constructs that impacted the decision to leave

The differences in the means between the extracted constructs, namely *political climate*, *economics*, *lifestyle* and *entrepreneurial opportunity*, as reasons that convinced South Africans to leave, were examined and is presented as Table 2.7.

Table 2.7: Factors impacting decision to leave South Africa

| Construct | N | Mean | Standard Deviation |
|-----------------------------|----------|-------------|---------------------------|
| Political climate | 163 | 3.4130 | 1.13322 |
| Economics | 163 | 3.3556 | 1.03949 |
| Entrepreneurial opportunity | 163 | 2.6884 | 0.82535 |
| Lifestyle | 163 | 2.6315 | 1.07794 |

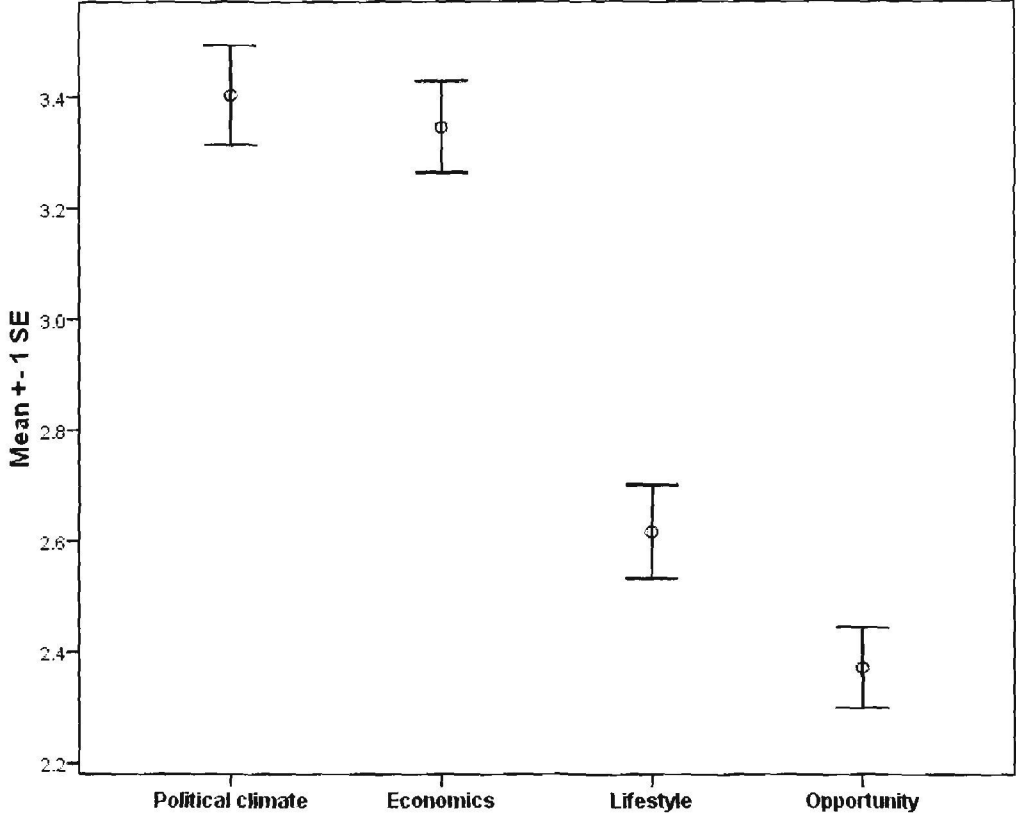
According to the respondents, the greatest factor that impacted their decision to move to another country was the political climate in South Africa. Economical factors ranked second whilst the lack of entrepreneurial opportunities was rated third and lifestyle was last.

2.4.5.2 Profile of potential entrepreneurs in this study concerning the factors that impacted their decision to leave South Africa

To determine the profile of the potential entrepreneurs concerning the factors that impacted their decision to leave, two graphs were drawn from the data. Graph 2.1 is an error bar indicating the mean \pm 1 standard error. Graph 2.1 is a box plot showing the 5-point summary of the constructs extracted from the different items in the questionnaire.

Graph 2.1 displays an area of uncertainty of one standard error (1 SE) on either side of the mean.

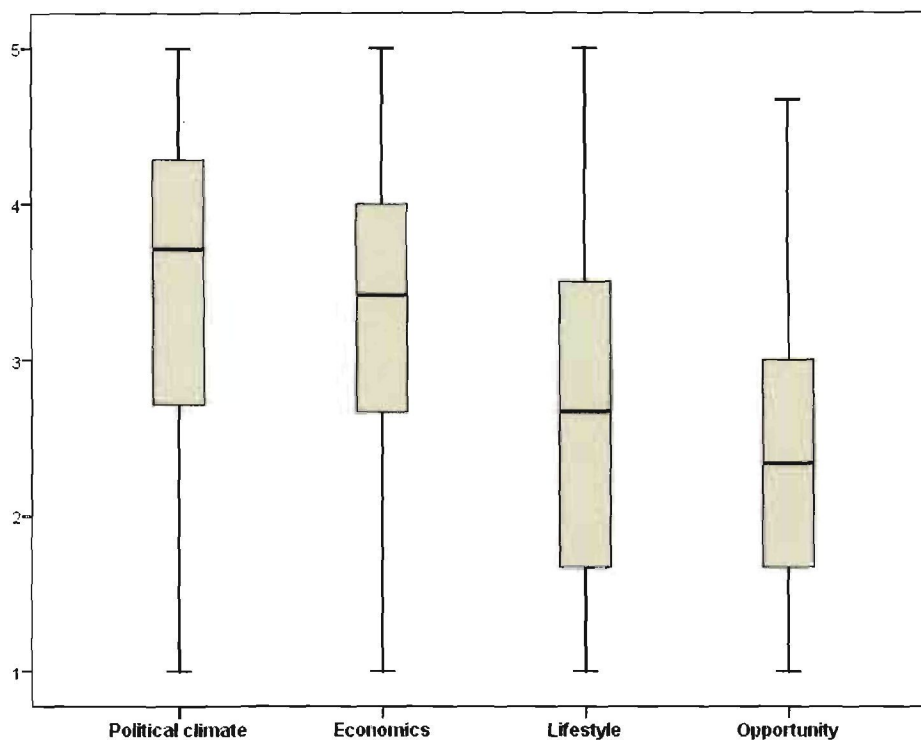
Graph 2.1: Error bar indicating the mean \pm 1 standard error



In this instance, the area of uncertainty, or spread within the mean, is virtually the same for all the constructs. This graph gives an indication that the mean values of the constructs *political climate* and *economics* are almost the same and slightly higher than the mean values of the constructs *lifestyle* and *entrepreneurial opportunities*.

In addition to the error bar, a more robust method of comparison is presented next as Graph 2.2, namely a box plot showing the comparison of the medians. The five horizontal lines on each data spread represents five values. From top to bottom, it is the maximum value, the 75th percentile, the median or 50th percentile, the 25th percentile and the minimum value. The medians should be interpreted through the position thereof in relation to the other data sets on the graph.

Graph 2.2: Box plot showing the 5-point summary of the data



2.4.5.3 Profiles of sub-sections within the total study population concerning the factors that impacted their decision to leave South Africa

The effect of gender, age and period in London was also investigated. None of the effects were of practical importance and thus the profiles were not further investigated. The differences in the means for the constructs were also calculated for the different groups.

Table 2.8: Factors impacting decision to leave South Africa: Gender

| Construct | Male | | | Female | | | Effect size |
|-----------------------------|------|--------|--------------------|--------|--------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Political climate | 109 | 3.5415 | 1.08673 | 51 | 3.1690 | 1.18885 | 0.31 |
| Economics | 109 | 3.3112 | 1.07180 | 51 | 3.4722 | 0.96633 | 0.15 |
| Entrepreneurial opportunity | 109 | 2.6820 | 0.85776 | 51 | 2.7255 | 0.74894 | 0.05 |
| Lifestyle | 109 | 2.4709 | 1.02260 | 51 | 2.9935 | 1.11851 | 0.47 |

❖ Cases with missing values were deleted.

Table 2.8 shows that the construct that has the largest effect is *lifestyle*, but that the effect size of 0.47 is smaller than the cut-off point, for being practically significant, of 0.5. There is thus no indication of any practical importance in the effect sizes.

Table 2.9: Factors impacting decision to leave South Africa: Age

| Construct | Up to 39 years old | | | 40 years and older | | | Effect size |
|-----------------------------|--------------------|--------|--------------------|--------------------|--------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Political climate | 112 | 3.4026 | 1.12836 | 31 | 3.4531 | 1.19983 | 0.04 |
| Economics | 112 | 3.4680 | 0.99538 | 31 | 3.1505 | 1.13721 | 0.28 |
| Entrepreneurial opportunity | 111 | 2.6246 | 0.81354 | 31 | 2.8021 | 0.80788 | 0.22 |
| Lifestyle | 112 | 2.7188 | 1.11726 | 31 | 2.5591 | 0.88354 | 0.14 |

❖ Cases with missing values were deleted.

According to table 2.9, there is no practical importance in any of the effect sizes calculated.

Table 2.10: Factors impacting decision to leave South Africa: Period in London/UK

| Construct | Shorter than 5 years | | | Longer than 5 years | | | Effect size |
|-----------------------------|----------------------|--------|--------------------|---------------------|--------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Political climate | 71 | 3.5681 | 1.11581 | 90 | 3.2907 | 1.13802 | 0.24 |
| Economics | 71 | 3.4795 | 1.02781 | 90 | 3.2657 | 1.04554 | 0.19 |
| Entrepreneurial opportunity | 71 | 2.8369 | 0.86229 | 90 | 2.5713 | 0.78000 | 0.31 |
| Lifestyle | 71 | 2.6714 | 1.13912 | 90 | 2.6000 | 1.03249 | 0.06 |

❖ Cases with missing values were deleted.

Table 2.10 shows no evidence of any practical importance in the effect sizes calculated.

2.4.5.4 Differences in means of constructs when comparing present circumstances of the expatriates with those in South Africa

The differences in the means between the extracted constructs, namely *economic wellness*, *effective government*, *entrepreneurial opportunities*, *lifestyle* and *cost of living*, as factors for comparison between present circumstances and those whilst in South Africa, were examined.

Table 2.11: Factors comparing present circumstances with those in South Africa

| Construct | N | Mean | Standard Deviation |
|-------------------------------|-----|--------|--------------------|
| Economic wellness | 162 | 4.3507 | 0.67374 |
| Effective government | 162 | 4.1497 | 0.71695 |
| Entrepreneurial opportunities | 159 | 3.6289 | 0.99240 |
| Lifestyle | 161 | 3.4953 | 0.84545 |
| Cost of living | 160 | 3.0719 | 0.91433 |

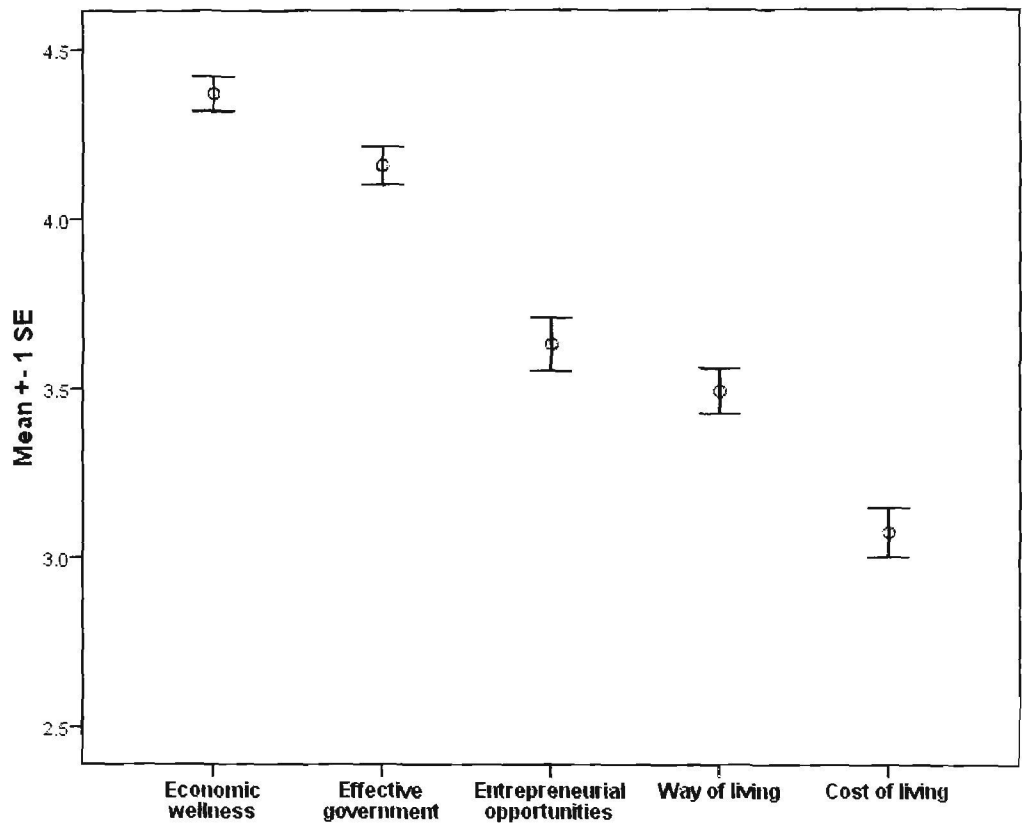
❖ Cases with missing values were deleted.

According to the respondents, the greatest difference between their present circumstances and those than when they were still in South Africa lies in economic wellness. Effective government is also much better where they live now whilst the cost of living is about the same.

2.4.5.5 Profile of potential entrepreneurs in this study when comparing present circumstances of the expatriates with those in South Africa

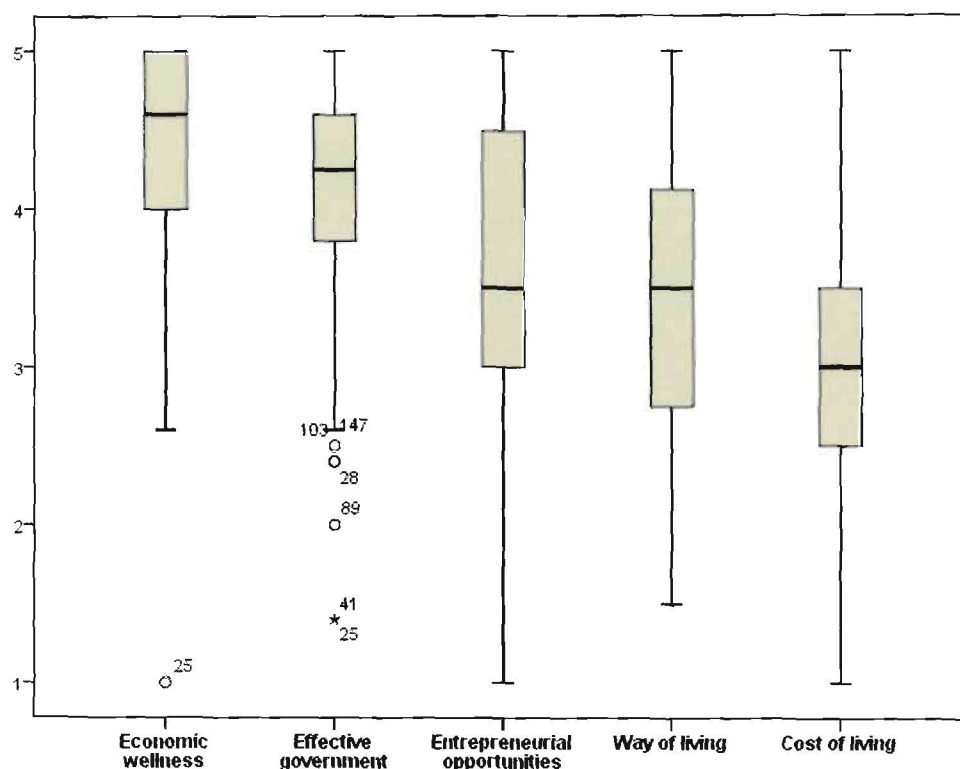
To determine the profile of the potential entrepreneurs when comparing their present circumstances with those when they were still in South Africa, two graphs were drawn from the data. Graph 2.3 is an error bar indicating the mean \pm 1 standard error. Graph 2.4 is a box plot showing the 5-point summary of the five constructs extracted from the different items in the questionnaire.

Graph 2.3: Error bar indicating the mean \pm 1 standard error



Given the values on the y-axis, there is not a significant difference between the means of the five constructs. However, the mean values of *economic wellness* and *effective government* are marginally higher than the other three constructs.

Graph 2.4: Box plot showing the 5-point summary of the data



Given the robustness of the box plot as a method of comparison, the constructs *economic wellness* and *effective government* again prove to be more important than the other three constructs.

2.4.5.6 Profiles of sub-sections within the total study population when comparing present circumstances of the expatriates with those in South Africa

The effect of gender, period in London and type of visa were also investigated. None of the effects were of practical importance and thus the profiles were not further investigated. The differences in the means for the constructs were calculated for the different groups.

Table 2.12: Factors comparing present circumstances with those when in South Africa: Gender

| Construct | Male | | | Female | | | Effect size |
|-------------------------------|------|--------|--------------------|--------|--------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Effective government | 109 | 4.4280 | 0.57419 | 52 | 4.1763 | 0.82629 | 0.30 |
| Economic wellness | 109 | 4.2454 | 0.64473 | 52 | 3.9471 | 0.82512 | 0.36 |
| Entrepreneurial opportunities | 108 | 3.6898 | 0.99230 | 50 | 3.5000 | 1.00000 | 0.19 |
| Lifestyle | 108 | 3.4776 | 0.83881 | 52 | 3.5272 | 0.87365 | 0.06 |
| Cost of living | 108 | 3.0926 | 0.88905 | 51 | 3.0196 | 0.97960 | 0.07 |

❖ Cases with missing values were deleted.

According to Table 2.12, there is no practical importance in any of the effect sizes calculated.

Table 2.13: Factors comparing present circumstances with those when in South Africa: Period in London/UK

| Construct | Shorter than 5 years | | | Longer than 5 years | | | Effect size |
|-------------------------------|----------------------|--------|--------------------|---------------------|--------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Economic wellness | 71 | 4.3791 | 0.71719 | 91 | 4.3286 | 0.64097 | 0.07 |
| Effective government | 71 | 4.1951 | 0.68333 | 91 | 4.1143 | 0.74395 | 0.11 |
| Entrepreneurial opportunities | 70 | 3.6857 | 1.02918 | 89 | 3.5843 | 0.96600 | 0.10 |
| Lifestyle | 71 | 3.5305 | 0.81895 | 90 | 3.4676 | 0.86933 | 0.07 |
| Cost of living | 71 | 3.0493 | 0.97890 | 89 | 3.0899 | 0.86459 | 0.04 |

❖ Cases with missing values were deleted.

Table 2.13 shows no construct has any practical importance as far as the effect size is concerned.

Table 2.14: Factors comparing present circumstances with those when in South Africa: Type of visa

| Construct | Permanent Residence | | | Other visa | | | Effect size |
|-------------------------------|---------------------|--------|--------------------|------------|--------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Economic wellness | 88 | 4.3991 | 0.68716 | 72 | 4.2764 | 0.65837 | 0.19 |
| Effective government | 88 | 4.1597 | 0.75345 | 72 | 4.1194 | 0.67519 | 0.05 |
| Entrepreneurial opportunities | 86 | 3.7674 | 0.98129 | 71 | 3.4366 | 0.98172 | 0.34 |
| Lifestyle | 88 | 3.6155 | 0.84290 | 71 | 3.3345 | 0.83160 | 0.33 |
| Cost of living | 87 | 3.0862 | 0.93761 | 71 | 3.0211 | 0.88008 | 0.07 |

❖ Cases with missing values were deleted.

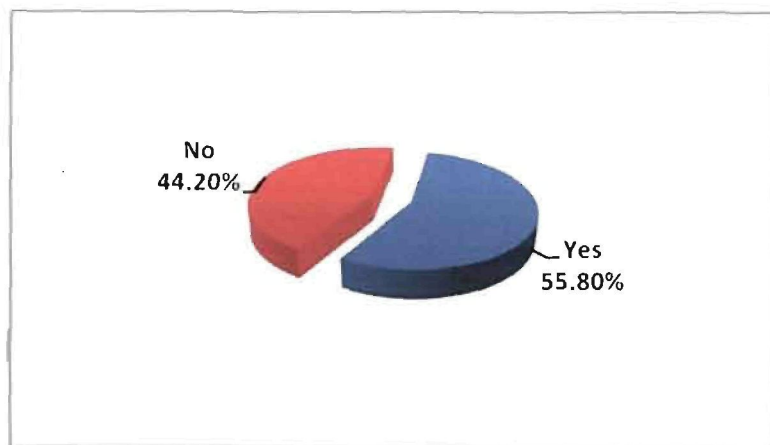
Table 2.14 shows that there is no construct with an effect size that is of any practical importance.

2.4.6 Descriptive statistics

2.4.6.1 Returning to South Africa permanently

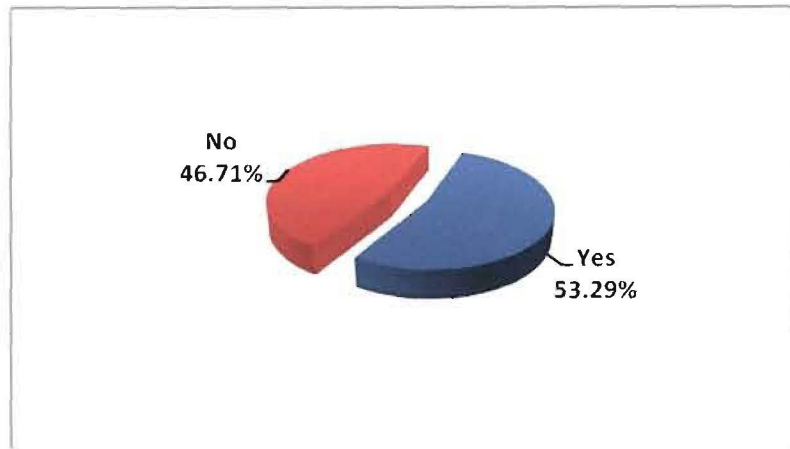
Respondents were asked whether they were considering returning to South Africa permanently. Graph 2.5 shows that 55,8% of all respondents indicated that they are considering returning to South Africa permanently and 44,2 % indicated that they will not. Graph 2.6 shows the willingness of respondents with permanent residency in the UK to consider returning to South Africa.

Graph 2.5: Respondents considering returning to South Africa permanently



Source: Response to Question 17 (Appendix 1)

Graph 2.6: Respondents with permanent residency in the UK considering returning to South Africa permanently



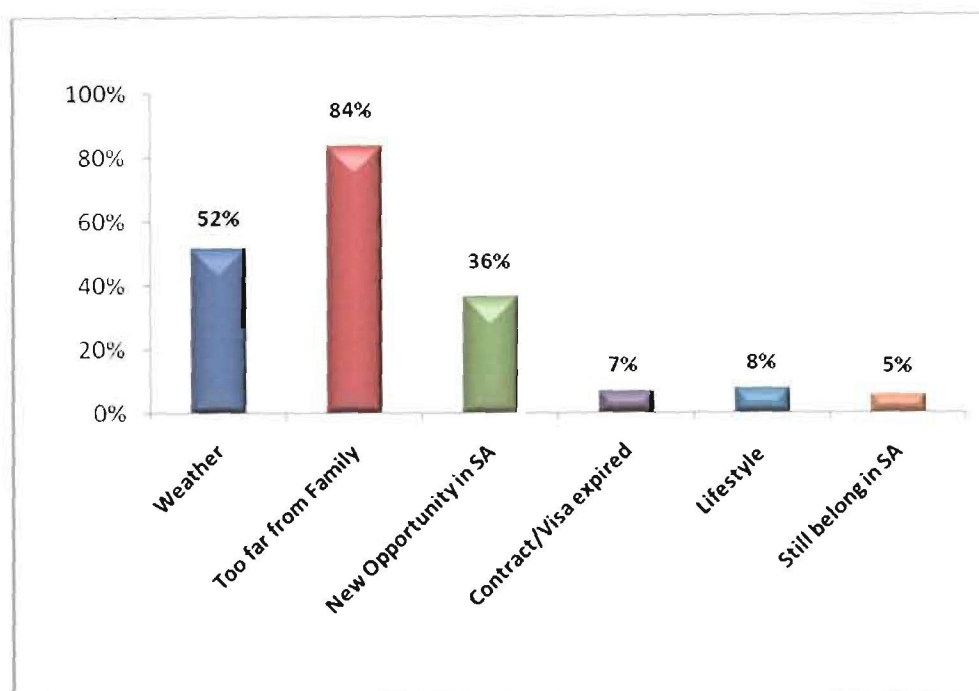
Source: Response to Question 17 (Appendix 1)

2.4.6.2 Reasons for considering returning to South Africa

In a follow-up question, those respondents that indicated that they are considering returning to South Africa permanently (55,8% of total respondents) were asked to indicate the reason why they are contemplating this decision.

From Graph 2.7 it is clear that the distance between the respondents and their family and relatives was the main reason for these expatriates to consider returning to South Africa. The weather in London was also an important reason whilst new opportunities that opened up in South Africa also played a role.

Graph 2.7: Reasons for considering returning to South Africa



Source: Response to Question 18 (Appendix 1)

2.4.6.3 Additional motives for considering returning to South Africa

In addition to the responses by the respondents on direct questions about their inclination to return to South Africa, they also responded in the following manner on specific questions. Table 2.15 summarises these responses.

Table 2.15: Additional motives for respondents considering returning to South Africa permanently

| Motives | Yes | No |
|--|-------|-------|
| I am or have considered venturing into a new business opportunity in South Africa | 63,3% | 36,4% |
| I am or have considered venturing into a new business opportunity elsewhere than in South Africa | 52,8% | 47,2% |
| I still own property in South Africa | 58,3% | 41,7% |
| I have business interests in South Africa | 28,8% | 72,2% |
| I have considered investing or increasing my investment in South Africa | 60,1% | 39,9% |
| I have business interests with other South Africans or expatriates living elsewhere than in South Africa | 28,2% | 71,8% |
| I am still an active member of my professional body in South Africa | 25,2% | 74,8% |
| The opportunities to be self-employed are better elsewhere than in South Africa | 48,8% | 51,2% |

2.5 DISCUSSION

In this study, the respondents had to identify the reasons why potential entrepreneurs leave South Africa. From 18 items that were identified from the literature, four factors were constructed, which best describe their reasons for leaving South Africa to stay and work in London in the United Kingdom. These four constructs show similarity to other factors for emigration previously extracted in other studies (Bailey, 2003:247; Bornman, 2005:388; Fourie, 2006:12; Korte, 2005:13; Mattes & Richmond, 2000:28; Rogerson & Rogerson, 2000:47).

The expatriates that took part in this research also had to compare their present circumstances with those they had in South Africa and had to rank them on a 5-point scale between "much worse now than in South Africa", "worse now", "the same as in South Africa", "better now than before" and "much better now than before". New factors were extracted on the same basis as those used to identify the reasons for leaving South Africa, but in this instance five factors were constructed. These constructs show similarity with the four constructs that indicate their reasons for leaving.

In the first factor analysis the constructs *political climate* and *economics* had the highest Cronbach alpha coefficients which indicated an acceptable reliability. In the second factor analysis it was *economic wellness*, *effective government* and *entrepreneurial opportunities* with high Cronbach alpha coefficients and acceptable reliability.

It is clear that the political scenario in South Africa played a very important role in the decision to leave the country. Aspects such as the crime and violence within South Africa, personal safety and family security, affirmative action and the standards of education played an important role in the decision of the potential entrepreneurs to leave their country of birth. These items played an important role in the construct *political climate* as reason to leave the country as well as *effective government*, when finding their present circumstances to be better than those they had in South Africa.

The profile of the entrepreneurs, as far as the constructs on the factors that impacted their decision to leave are concerned, is displayed in the box plot (Graph 2.1) and the error bar (Graph 2.2).

The effect size is independent from sample size and is a measure of practical significance (Ellis & Steyn, 2003:51). The effect sizes for all the constructs regarding gender, age and period in London, as calculated by an Independent Samples Test, reveal no practical importance, and therefore the profiles for both male and female respondents up to 39 years old as well as 40 years and older, and respondents staying in London for shorter than five years as well as longer than five years, show no real difference from the profile as displayed in Graphs 2.1 and 2.2. Mention should however be made of the construct, *lifestyle*, with an effect size of 0,472. Even though it is still marginally below 0,5 the cut-off criteria for being practically significant, it is noteworthy that female respondents consider this construct more important than the male respondents.

The means calculated and displayed in Table 2.8, Table 2.9 and Table 2.10 show that *political climate*, as reason that impacted their decision to leave, played a more important role than *economics* among male respondents. *Economics*, on the other hand, was considered to be more important than *political climate* by female respondents.

From Table 2.12, Table 2.13 and Table 2.14 it is derived that there is no difference in the ranking of the different constructs among the different subsections. *Effective government* is considered to be much better at the present as well as *economic wellness*, compared to the previous circumstances, but to a lesser degree.

Linked to the reasons why potential entrepreneurs left South Africa and by comparing the present to previous circumstances, respondents were asked whether they would consider returning to South Africa on a permanent basis. In total, 55,8% of the respondents indicated that they would consider returning to South Africa. This in itself is significant, if the reasons stated for leaving South Africa in the first place is taken into account. A large proportion of expatriates with permanent residency in the UK also contemplating returning to South Africa is also significant.

It is clear that being too far from family and friends as well as the weather in London, plays a vital role in the reasons for considering returning to South Africa. Significant, however, is that 36% of the respondents who indicated that they are considering returning to South Africa, have indicated that they have a new opportunity waiting in South Africa. This point is re-iterated by the additional motives as listed in Table 2.15 where 63.3% of the respondents in total indicated that they are considering venturing into a new business opportunity in South Africa.

The motives to return to South Africa are enforced by the fact that 58,3% of the respondents still own property in South Africa, 28,8% have business interests in South Africa and 60,1% of the respondents are considering investing or increasing their investment in South Africa. In total, there are 25,2% of the respondents still members of their professional body which means that they still keep the proverbial "back door" open for returning to South Africa.

If the entrepreneur or potential entrepreneur who completed the questionnaire was waiting for circumstances to change in South Africa and for the reasons why they left the country in the first instance, to disappear, they might still not be completely satisfied that the political and economical situation has changed for the better according to their standards. Other, stronger motives for their considering returning might play a stronger role. This study did not, however, concentrate enough on these motives and should be researched more in depth.

Political and economical factors played a major role in expatriate-entrepreneurs' decision to leave the country. Factors like economic wellness and effective government as well as the environment where they stay now, are better than in South Africa. However, entrepreneurial opportunities, as reason for leaving and being better where they stay now, compared to South Africa, is a factor that should not be disregarded when trying to involve expatriate-entrepreneurs in the entrepreneurial future of South Africa.

2.6 RECOMMENDATIONS

South Africa is still experiencing an outflow of highly skilled individuals, among who might be many entrepreneurs or potential entrepreneurs. At the same time, the South African economy is in dire need of entrepreneurs that can boost the economical growth in the country. From this study, it is clear that the reasons why South Africans leave their country of birth should be addressed. It is also clear from this study that the expatriates are prepared to return, or become involved in the South African economy, but that certain problem areas need to be addressed.

2.6.1 Political climate

One of the major reasons why highly skilled expatriates had left South Africa and that is still an issue that keeps them from coming back, is the political climate in the country. The respondents to this study have made it clear that the government in London in the UK is more effective than in South Africa and the main areas where there need to be improvement are:

- Crime and violence;
- Personal safety and security;
- Racism;
- Standards of education; and
- Politics in general.

The national government of South Africa should give serious attention to these aspects if they want to address the issues of the brain drain, and especially the loss of highly skilled entrepreneurs or potential entrepreneurs.

2.6.2 Economical conditions

Expatriates rate the economic conditions in South Africa as below standard and the economic wellness in their present circumstances are much better than in South Africa. The areas that need urgent improvements are:

- Opportunities to gain work experience;
- Variety of career choices;
- Affirmative action; and
- Broad-Based Black Economic Empowerment.

These aspects push entrepreneurs and potential entrepreneurs out of South Africa and keep them abroad. The challenge to the government is to address the issues they want to address with these policies, but at the same time to make it attractive for the entrepreneurs to return.

2.6.3 Entrepreneurial opportunities

The entrepreneurial climate in South Africa, which encompasses aspects such as the lack of ample entrepreneurial opportunities and levels of taxation, are being cited as reasons why entrepreneurs or potential entrepreneurs leave the country. There needs to be a concerted effort from the national government as well as the business sector to identify and, if already identified, to promote these opportunities abroad. With the knowledge gained, the contacts made and the experience encountered expatriate-entrepreneurs can make a vital difference once they become involved again within the South African economy.

2.6.4 Motives for returning

It is apparent that there is not a notable difference in the cost of living between South Africa and the present circumstances of the respondents. Coupled with expatriates being far away from family and friends as well as the weather conditions experienced in the UK, the national government as well as the business sector could expand on a

national, but coordinated drive to involve South African expatriates with the future of their country of birth. These efforts should not only include support, as minimum even only moral support, to campaigns such as the Homecoming Revolution or the “Kom-huis-toe-veldtog”, but expatriates could also be incentivised to re-invest their newly acquired know-how and skills in South Africa. This can be done through grants and tax benefits for the returned entrepreneurs who start new businesses.

Even though the levels of patriotism was not measured in this study, it can be derived that the reasons for leaving South Africa fade over time and that expatriates would like to return, given the circumstances change, in their perception, for the better.

2.7 SUMMARY

It is apparent that the reasons why South African entrepreneurs or potential entrepreneurs leave their country of birth needs to be addressed, or the brain drain of the highly skilled will continue. One of the reasons cited by the respondents is the lack of entrepreneurial opportunities in South Africa. The contribution of this study could be to highlight the role that expatriates can still play in South Africa, even whilst still abroad.

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CHAPTER 3

IS THE ENTREPRENEURIAL CLIMATE IN SOUTH AFRICA CONDUCTIVE FOR INVOLVEMENT BY EXPATRIATE- ENTREPRENEURS?

ABSTRACT

The perception of own entrepreneurial ability plays an important role in whether or not individuals will become involved in starting a business. The perception of the entrepreneurial climate in a particular country can play a vital role in the location where the potential entrepreneur eventually starts a business. A healthy entrepreneurial climate in South Africa can enhance this propensity and it could motivate potential expatriate-entrepreneurs to become involved with their country of birth.

Knowledgeable, qualified and experienced individuals or groups of people needed to improve the entrepreneurial climate in South Africa are never doubted. Becoming involved with entrepreneurial activities should not be restricted to the inhabitants of South Africa only. The role of expatriates in any form of entrepreneurial activity, that might benefit South Africa, should be considered.

This study was done using stratified and snowball sampling techniques and 163 expatriate-entrepreneurs or potential entrepreneurs from South Africa completed a survey questionnaire. This questionnaire was posted on the Internet and could be accessed by way of a website link in the different media used for this survey. This media reached almost 150 000 individuals in 10 databases.

The research has indicated that most of these expatriate-entrepreneurs now staying and working in London, England would like to become involved in entrepreneurial activities in South Africa, even whilst staying abroad.

OPSOMMING

Die persepsie van eie entrepreneuriese vermoëns speel 'n belangrike rol in of individue wel betrokke sal raak by die vestiging van 'n onderneming. Die persepsie van die entrepreneuriese klimaat in 'n spesifieke land speel 'n belangrike rol in die besluit oor 'n gebied of land waar 'n potensiële entrepreneur die onderneming gaan begin. 'n Gesonde entrepreneuriese klimaat in Suid-Afrika kan hierdie geneigdheid verhoog en dit kan potensiële uitgeweke entrepreneurs motiveer om betrokke te raak by hul land van herkoms.

Dit is nog nooit betwyfel dat Suid-Afrika kundige, gekwalifiseerde en ervare individue of groepe van mense nodig het om die entrepreneuriese klimaat in die land te verbeter nie. Die betrokkenheid by entrepreneuriese aktiwiteite in die land moet nie net tot die inwoners van Suid-Afrika beperk word nie. Die rol wat uitgewekenes in enige vorm van entrepreneuriese aktiwiteit, wat Suid-Afrika kan bevoordeel, kan speel, moet oorweeg word.

Hierdie studie is gedoen deur gebruik te maak van gestratifiseerde- en sneeubalsteekproeftegnieke en 163 uitgeweke entrepreneurs of potensiële entrepreneurs van Suid-Afrika het die vraelys voltooi. Hierdie vraelys is beskikbaar gestel op die Internet en toegang kon verkry word deur 'n skakel na 'n webtuiste, wat spesifiek vir hierdie navorsing gebruik is. Die verskillende media wat die navorsing ondersteun het, het die skakel beskikbaar gestel. Hierdie media het bykans 150 000 individue op 10 databasisse bereik.

Die navorsing het aangedui dat die meeste van die uitgeweke entrepreneurs, wat nou in Londen, Engeland bly en werk, by entrepreneuriese aktiwiteite in Suid-Afrika betrokke wil raak, al bly hulle nog oorsee.

3.1 INTRODUCTION

Based on an overall ranking covering the 55 leading world economies, South Africa is ranked in the 53rd position on the overall scoreboard (IMD World Competitiveness Yearbook, 2008:13). South Africa's domestic economy is ranked in the 52nd position. It is common knowledge that entrepreneurship as well as small, medium and micro businesses (SMMEs) is a major force in the South African economy (Maas & Herrington, 2006:4). In South Africa, SMMEs employ 72% of the workforce and contribute 28% of the Gross Domestic Product (Van der Linde, 2006:69). Even though South Africa is ranked as the 17th largest country in the world, the Gross Domestic Product (GDP) per capita is ranked in the 44th position (IMD World Competitiveness Yearbook, 2008:246).

Political leaders have over the years confirmed their belief in the importance of SMMEs for the economic well-being of the country. As early as 1999, Mbeki, in his capacity as the Executive Deputy President of South Africa, made a plea for developing a thriving SMME sector which was essential for sustainable and permanent employment creation (Mbeki, 1999:1). This theme was re-iterated by the Minister of Public Works when stating the government's expectations of the SMME sector (Radebe, 1999:1-6). The Minister of Communications went so far as to say that the SMME sector is the future for economic growth and employment opportunities (Matsepe-Casaburi, 2002:3).

In research done for the World Bank, it became clear that the influence of international trade in the performance and future prospects of South African SMMEs appears relatively limited. This is in contrast to many other countries, where the SMME sector has been strongly oriented towards external markets (Lewis, 2001:30). The value of entrepreneurship and the SMME sector in South Africa, in becoming globally competitive cannot be over stated (Shilowa, 2007:1; Mkhize, 2006:1).

Globalisation and the opening of South Africa's borders to global trade have severely affected the employment opportunities of industry in the country (Nasser, Du Preez & Herrmann, 2003:393). With Broad-Based Black Economic Empowerment (BBBEE)

and restricted career opportunities being one of the reasons that is given for emigration (Bornman, 2005:397), an own business can be, or is a lucrative alternative for South Africans.

South Africa is, however, not living up to its potential as far as entrepreneurial activity is concerned. According to the Global Entrepreneurship Monitor (GEM) of 2006, South Africa ranks 30th out of 42 countries in terms of Total Entrepreneurial Activity (TEA). Only 5,29% of its population are involved in TEA activities. By contrast, top performer Peru scores a 40,15% TEA (Maas & Herrington, 2006:16). If South Africa wants sustainable economic growth, the TEA will have to improve. Strategically, it should not be allowed that the dependency level for economic growth be placed solely on existing businesses as this might lead to stagnation (Maas & Herrington, 2006:4).

In the interest of South Africa's economic growth, ways and means should be found to promote entrepreneurship by encouraging new business start-ups and ensuring that these start-ups are nurtured and supported so that they survive and go on to generate real wealth for the economy.

3.2 POTENTIAL ENTREPRENEURSHIP DEFINED

Despite increased interest in entrepreneurs, entrepreneurship and entrepreneurial traits, a concise and universally accepted definition for the concept has not been found (Hisrich & Peters, 1998:6). The term "entrepreneur", a French word for "go-between", could be linked to Marco Polo, a merchant from Venice, who lived in the 13th century and had trade links with the Far East. An eighteenth century economist Richard Cantillon, who believed the primary role of an entrepreneur was to bear risk, is considered as being the founder of the term "entrepreneur" (Stevenson, 1988:8; Hisrich & Peters, 1998:6). Since then the definition evolved in many different ways and focused largely on risk seeking and risk bearing. Joseph Schumpeter, during the beginning of the 20th century, emphasised the importance of innovation in entrepreneurship as part of the process of economic development (Muhanna, 2007:95).

For the purpose of this research, entrepreneurship was defined as the capabilities of people to combine scarce resources in new ways, or to respond to opportunities, or to provide solutions to problems (Driver, Wood, Segal & Herrington, 2001:7). Recently, however, profiles that detail the entrepreneur's character traits are used more frequently to define entrepreneurship (Timmons, 1999:218).

3.2.1 Characteristics of entrepreneurs

Research has been done to try to determine the characteristics of good entrepreneurs. Table 3.1 lists a variety of characteristics as identified by different researchers and authors over the last century and a half.

Table 3.1: Characteristics of entrepreneurs identified since 1848

| Date | Author(s) | Characteristics |
|------|--------------------------------------|---|
| 1848 | Mill | Risk bearing |
| 1934 | Schumpeter | Innovation; initiative |
| 1954 | Sutton | Desire for responsibility |
| 1963 | Dauids | Ambition; desire for independence; responsibility; self-confidence |
| 1964 | Pickie | Drive/mental; human relations; communication ability; technical knowledge |
| 1971 | Hornaday and Aboud | Need for achievement; autonomy; aggression; power; recognition; innovative/independent |
| 1974 | Borland | <i>Internal locus of control</i> |
| 1977 | Gasse | Personal value orientation |
| 1978 | Timmons | Drive/self-confidence; goal orientated; moderate risk taker; locus of control; creativity/innovation |
| 1980 | Sexton | Energetic/ambitious; positive setbacks |
| 1981 | Welsh and White | Need to control; responsibility seeker; self-confidence/drive; challenge taker/ moderate risk taker |
| 1982 | Dunkelberg and Cooper | Growth orientated; independence orientated; craftsman orientated |
| 1982 | Holt and Hellriegel | Preference for technical versus managerial tasks |
| 1983 | Pavett and Lau | Conceptual, human and political competence; technical familiarity in specialised field |
| 1985 | MacMillan, Siegel and SubbaNarisimha | Familiarity with the market; capacity for intense effort; leadership ability |
| 1987 | Aldrich and Zimmer | Networking with people who control important resources and who have relevant skills and abilities |
| 1987 | Hover and Sandberg | Drive to see business creation through to fruition; ability to clearly communicate goals; ability to motivate others to synergise |

| | | |
|------|--|--|
| 1987 | Schein | Strong management skills with high levels of responsibility and authority; specialist versus general manager |
| 1987 | Timmons, Muzyka, Stevenson and Bygrave | Ability to recognise and envision taking advantage of opportunity |
| 1992 | Chandler and Jansen | Self-assessed ability to recognise opportunity |
| 1992 | McGrath, MacMillan and Scheinberg | High individualism; poor distance; uncertainty avoidance ; masculinity |

Source: Timmons (1999:218)

For the purpose of this research, certain characteristics stand. They have to do with the individual mindset and include self-confidence, a self-assessed ability to recognise opportunity, networking abilities, growth orientation, the desire to achieve, adaptability and the ability to minimise risks.

3.2.2 Types of entrepreneurs

Entrepreneurship is marked by diversity in that a variety of individuals are recognised as entrepreneurs. Potential entrepreneurs should be encouraged that the diversity stems, among others, from the different roles that individual entrepreneurs can take on. According to GEM, a distinction is made between necessity entrepreneurs and opportunity entrepreneurs (Foxcroft, Wood, Kew, Herrington & Segal, 2002:14; Orford, Herrington & Wood, 2004:12; Von Broembsen, Wood & Herrington, 2005:22).

In 2005, approximately 43% of entrepreneurs in South Africa were necessity entrepreneurs (Von Broembsen *et al.*, 2005:22). This type of entrepreneur usually lacks the required business skills and resources to create a sustainable business. Factors such as unemployment, retrenchments and affirmative action force people to become necessity entrepreneurs just to survive and provide for immediate needs (Maas & Herrington, 2006:12).

Whereas necessity entrepreneurs are engaged in starting or managing a business because they have no better work alternatives, opportunity entrepreneurs are engaged in business to take advantage of an opportunity (Von Broembsen *et al.*, 2005:56). Two distinct types of entrepreneurs can be classified as opportunity entrepreneurs:

- Lifestyle entrepreneurs generally start a new business to provide a family income or support a desired lifestyle. They want independence and control over their own schedule and the benefits of this group relate primarily to their quality of life (Henderson, 2002:2).
- High-growth or high-impact entrepreneurs typically set out to develop larger, highly visible and more valuable businesses. Innovation, new products and/or services and high competitive market awareness characterises this group. They focus on obtaining the necessary resources to fuel growth (Henderson, 2002:2). The high-impact entrepreneurs need not necessarily be only the scientist or inventor of the new product, because new businesses require more than just a viable idea. Raising the necessary funding, finding skilled people and providing all the other resources are all functions of entrepreneurs (Schramm, 2004:107).

Migrant entrepreneurship refers to business activities undertaken by migrants with a specific socio-cultural and ethnic background or migrant origin. Migrant entrepreneurship in the USA and Europe have recognized the significant share of immigrants in SMME activities, and the impact of different migrant group cultures on entrepreneurship has been highlighted (Sahin, Nijkamp & Baycan-Levent, 2006:1). In a report to the General Assembly of the United Nations on international migration and development, the importance of migrant entrepreneurship is raised (UN, 2006:49). It is clear that if this aspect is managed properly, there could be benefits for all parties concerned.

3.2.3 Factors associated with entrepreneurial potential

Individuals' perception of their own entrepreneurial ability, and the extent to which their social networks include entrepreneurs as well as their recognition of start-up opportunities, are a good indication of whether or not individuals will become involved in starting a business (Orford *et al.*, 2004:19). Being in possession of a tertiary qualification positively relates to entrepreneurial self-confidence and is a important determinant of entrepreneurial potential whilst there also need to be certain

pull factors in place that will entice potential entrepreneurs to take the all-important step to start their own businesses (Basu, 1998:313).

3.2.3.1 Perception of entrepreneurial ability, entrepreneurial networks and recognition of opportunities

There are a number of factors that can play a role in an individual's self-perception of entrepreneurial capability. Formal education and exposure to family members and friends with entrepreneurial experience can have a positive influence on a person's beliefs and perceptions. Adults who believed that they have the necessary skills were eight times more likely to start or become involved in a new start-up than those who believed they did not have the skills. Individuals who recognised good business opportunities were three times more likely to start a business than those who did not. Individuals who personally knew an entrepreneur in the past six months are two to three times more likely to engage in entrepreneurial activity (Foxcroft *et al.*, 2002:21-27).

The belief that one is capable of performing in a certain manner or that one possesses the ability to attain certain goals, also called self-efficacy, appears central in intention toward entrepreneurship. Highly self-efficacious individuals will label their setbacks as learning experiences and not personal failures. Successes will be attributed to personal competence. Self-efficacy also plays an important role in opportunity recognition (Krueger & Brazeal, 1994:91).

3.2.3.2 Tertiary qualification

Tertiary education plays an important role in re-enforcing the self-esteem and self-confidence needed to pursue entrepreneurial activities. Tertiary education has a strong motivating effect and people with these qualifications are nearly twice as likely as those without Grade 12 to believe that they have the necessary skills to start a business (Driver *et al.*, 2001:29; Foxcroft *et al.*, 2002:21-27, 57-58; Orford *et al.*, 2004:19).

3.2.3.3 Prerequisites to stimulate entrepreneurial potential

A distinction is made between the factors that influence individuals to become entrepreneurs. In some cases it could be push factors like dissatisfaction or frustration with current employment, redundancy or unemployment. These factors might have nothing to do with the individual's entrepreneurial inclination but could be the main motivator for becoming necessity entrepreneurs. Pull factors are those that can lure individuals into a new venture merely by the attractiveness of the business opportunity. It might include independence, being one's own boss, being able to use creative skills, doing enjoyable work and making more money (Amit & Muller, 1995:65-67; Alstete, 2008:585-586). It would then be primarily pull factors that will entice and motivate the opportunity entrepreneur to enter into business.

A number of conditions have also been identified that could increase entrepreneurial activity in South Africa (Maas & Herrington, 2006:16). If managed properly, these conditions could support pull factors including:

- Access to cheaper and different funding models;
- Less corruption and nepotism;
- Integrated support services such as training, research and consulting;
- More affordable access to venture capital;
- Improved service delivery on various government levels; and
- Less policy conflicts between government departments, improved service delivery and quicker payment for services rendered.

3.3 THE ENTREPRENEURIAL CLIMATE IN SOUTH AFRICA

Even though the Global Entrepreneurship Monitor (GEM) of 2006 concludes that the political and business environment is becoming more positive as far as entrepreneurship is concerned, the development in the country and the mindsets of potential entrepreneurs are not yet conducive to major changes (Maas & Herrington, 2006:22). Despite the fact that both the World Bank and the International Finance

Corporation rated South Africa in 2006 poorly in terms of ease of doing business (Maas & Herrington, 2006:22), the assumption can be made that an entrepreneurial climate does exist to a certain extent.

3.3.1 How entrepreneurial is South Africa?

The level of entrepreneurship in a country can be measured against a number of indices such as the start-up index, the new business index, the opportunity entrepreneurship index and the necessity entrepreneurship index (Driver *et al.*, 2001:13). The index that is most often used, however, is the Total Entrepreneurial Activity (TEA) index which indicates the proportion of the adult population who report themselves to be owner-managers of a start-up or business firm (Driver *et al.*, 2001:11). South Africa's total reported entrepreneurial activity in 2002 was 6,30%; in 2003, it was 4,30% and in 2004 it was 5,40%. In 2005, it dropped to 5,10% and in 2006 it improved to 5,29% (Driver *et al.*, 2001:13; Foxcroft *et al.*, 2002:13; Orford *et al.*, 2004:10; Von Broembsen *et al.*, 2005:7; Maas & Herrington, 2006:15). Compared to other countries in the "upper-middle income" bracket, South Africa performs well below the average of 7,79% (Maas & Herrington, 2006:15).

To build a healthy entrepreneurial society in South Africa, the following should be considered (Nasser *et al.*, 2003:393; Hisrich & Peters, 1998:14-20):

- Identify factors that will motivate people from a very early age to set up and run small businesses. This entails building a culture of entrepreneurship which embodies sources of ideas, viability studies, business planning, finances and management aspects;
- Remove barriers preventing those who wish to set up a business from doing so;
- Assist entrepreneurs to deal with issues of business survival at initial stages; and
- Provide means to encourage those businesses that wish to grow.

A developing country like South Africa must establish certain underlying conditions that will allow the entrepreneurial process to flourish, such as favourable business policies and regulations, access to investments and human capital. In the United States of America, it is possible to start and obtain all government permissions for a new business in one afternoon and the country's tax laws encourage private investment in new businesses. Many sources of capital exist, but many entrepreneurs are not interested in venture capital since they would have to give up a large portion of the ownership and future profit in exchange for the investment (Schramm, 2004:111).

If South Africa wants to sustain economic growth rates, the TEA activities will have to improve. If not, the danger exists that the dependency level on the existing businesses will become too much and the economy will stagnate (Maas & Herrington, 2006:4). It is important for South Africa to stimulate entrepreneurship and to ensure that a strong and vibrant small and medium-sized business sector exists. New start-ups in every form should thus be encouraged and stimulated, even among expatriates living abroad.

3.3.2 Factors that restrict entrepreneurial development

There are a number of factors that restrict the fostering of an entrepreneurial climate in South Africa and many authors have tried to identify these factors over the last decade (Driver *et al.*, 2001:27; Foxcroft *et al.*, 2002:39-55; Korte, 2005:13; Meintjies, 2004:1; Orford *et al.*, 2004:45; Von Broembsen *et al.*, 2005:8).

3.3.2.1 Education

The education system in South Africa (from primary and secondary school to university and business school) is not conducive and does not stimulate the creating or management of small, new, growing businesses (Von Broembsen *et al.*, 2005:8). However, adults with tertiary education are twice as likely to own and manage an own business than those without tertiary education (Driver *et al.*, 2001:27).

The brain drain over the past couple of decades has contributed to this negative situation and many potential entrepreneurs have left the country. The country has experienced a brain drain since before 1994 and this trend looks set to continue (Bailey, 2003:235).

3.3.2.2 Finance

The availability of finance for entrepreneurs, whether it is equity and debt, for new and growing businesses, including grants and subsidies, is not easily available or accessible for aspiring entrepreneurs (Foxcroft *et al.*, 2002:39-44). This is despite the fact that institutions like Business Partners (Business Partners, 2008:1), ABSA (ABSA, 2008:1), First National Bank (First National Bank, 2008:1), Nedbank (Nedbank, 2008:1) and Standard Bank (Standard Bank, 2008:1) all promote different financing packages for business start-ups.

3.3.2.3 Government policies

Government policies, as reflected in taxes or regulations or the application of either, do not encourage the starting of new businesses. Although the South African regulatory environment compares favourably to other developing countries, improvements can still be made (Von Broernbsen *et al.*, 2005:39). For example, there are many incentives available to business, like export incentives, but red tape prevents access (Foxcroft *et al.*, 2002:51).

Except for large quasi-government institutions, the restructuring of the economy since 1994 has not opened many opportunities for black entrepreneurs. Ownership remained basically in the hands of whites and slow growth meant there were few opportunities for new businesses. At the same time, only a few educated black people have benefited from new opportunities as a result of democracy. This situation has led to a growing demand from the black upper class that government should do more to help them penetrate big business (Makgetla, 2004:277; Modise, 2008:40).

Black economic empowerment can be a crucial element in the South African government's plan to nurture the business sector and boost economic growth. The strategy of black economic empowerment was originally implemented to include the majority of South Africans in the participation in the economy. The strategy has been refined, is formally known as Broad-Based Black Economic Empowerment (BBBEE) and promotes an economy that can meet the needs of all people in a sustainable manner (Meintjies, 2004:1).

3.3.2.4 Government programmes

The presence of direct programmes to assist new and growing businesses at all levels of government (national, regional and municipal) do not exist, or they are not efficient enough. As far as the existing programmes are concerned, it is clear that small businesses are either unaware of these programmes, or do not use the services offered by government (Orford *et al.*, 2004:45).

Table 3.2: Awareness and use of government small business support

| Programme | Heard of (% of sample) | Used (% of sample) |
|---|-----------------------------------|-------------------------------|
| Sector Education Training Authorities (SETAs) | 61 | 32 |
| Competitiveness Fund | 32 | 11 |
| Industrial Development Corporation | 45 | 7 |
| Export Incentives | 12 | 2 |
| Manufacturing Advisory Centres | 11 | 1 |
| Ntsika | 13 | 1 |
| Khula | 9 | 1 |
| Brain | 9 | 1 |
| Umsobomvu | 4 | 1 |

Source: Goldstuck (2004:47)

From the above, it is clear that the entrepreneurs in South Africa are not fully aware of the government's support to small business. There is no reason to believe that knowledge about these programmes is better as far as expatriates are concerned.

3.3.2.5 Access to physical infrastructure

Access to available physical resources – communication, utilities, transportation, land or space – at a price that does not discriminate against new, small or growing businesses, is lacking in South Africa (Foxcroft *et al.*, 2002:55). Small business development is dependent on this and it contributes to potential entrepreneurs' decision to emigrate.

3.3.2.6 Market openness

Market openness is generally a problem for new small businesses because large businesses are more willing to outsource to other large businesses with good track records than to small and medium-sized businesses, especially those with no track records (Foxcroft *et al.*, 2002:53).

BBBEE is one of the most contested terms in South Africa. Many white people, however, feel threatened by this policy and it is seen as one of the main reasons for the brain drain or emigration of highly skilled South Africans (Korte, 2005:13). Certain black people, however, argue that it is a strategy of white people to produce predatory black elite (Southall, 2004:313).

The impact of BBBEE as far as market openness is concerned, is not fully understood. The Codes of Good Practice that was promulgated in 2007 favours specifically the small and medium-sized business with a threshold of R5 million turnover per year. The fact that these businesses are exempted does not mean that they are not impacted. Larger companies are awarded points on their own preferential procurement scorecard for buying from the exempted businesses. If the mechanisms of BBBEE are not fully understood, a perception of market dysfunction or market exclusion can easily be made. Whilst it is mainly large businesses with turnovers in excess of R35 million that have to comply with all seven the BBBEE

regulations, and businesses with turnovers between R5 million and R35 million that have to comply with four of the seven regulations, businesses with turnovers smaller than R5 million are automatically BBBEE compliant (Government Gazette, 2007:1-44).

Market openness is therefore one of the important stumbling blocks in building an entrepreneurial climate in South Africa.

3.3.2.7 Research and development transfer

Research and development (R & D) that leads to new commercial opportunities and whether or not these are available for new, small and growing firms is not sufficient in South Africa. There has been a decline in the quantity of public research and funding of an R & D infrastructure and there is an urgent need for experienced personnel with relevant experience at research institutions (Foxcroft *et al.*, 2002:54).

3.3.3 Entrepreneurial influences from outside South Africa

The fact that knowledgeable, qualified and experienced individuals or groups of people are needed to improve the entrepreneurial climate in South Africa is never doubted. Expatriates have played a critical role in technology exchange and foreign investment in the economies of India, China and Israel especially through diaspora networks (Kuznetsov & Sabel, 2006:6). Too much attention, however, is given in the search for entrepreneurs within the country itself and no attention to the wealth of knowledge, capital and expertise to the expatriates now working and living abroad. The role that other countries, or the inhabitants of other countries, and more particularly, the role that ex-South Africans can play in fostering a better entrepreneurial climate, was not the mandate of the GEM, but is nevertheless an area that warrants future research (Brown, 2000:107; Fourie, 2006:6-9; Marks, 2004:4).

Researchers and authors have traditionally focused on the negative side of emigrating when dealing with the subject of brain drain (Van Rooyen, 2000:68-74; Du Preez, 2002:80-84; Bornman, 2005:387). Expatriates not only earn an income whilst

abroad which is sometimes remitted to the home country, but they also pass on newly acquired skills upon their return (Meyer, 2001:91-108; Mattes & Mniki, 2007:25). The brain drain can thus be turned into a brain gain.

The brain gain is also evident through brain circulation. This occurs when the migrant decides to return to the country of origin and both countries can benefit because the host country initially benefited by gaining the expertise and when the migrant decides to return with newly acquired skills and knowledge, the country of origin will benefit (Fourie, 2006:6-9).

As a developing country, South Africa cannot afford the outflow of skilled labour to developed countries such as Britain, the United States of America, Australia, New Zealand and Canada, only to be replaced by an influx of immigrants and unskilled labour mainly from the African continent. The flow of skilled immigrants into the country has slowed tremendously in the post-apartheid era, which means that fewer skills are being replaced than lost through emigration (Bhorat, Meyer & Mlatsheni, 2002:19). It seems as if little or none has been done to address the situation (Bailey, 2003:235).

3.4 RESEARCH METHODOLOGY

A survey-based research design was deemed to be the best suitable for this study because of the large geographical area covered. The research of this study consists of an extended literature study and survey-based empirical research.

3.4.1 Literature study

Key words, identified in the list of key terms, were used to do computer-based searches and the information extracted formed the basis of the literature study. The purpose of the literature study was primarily to provide a scientific basis for the theory and recognising prior research done on this topic. To determine whether the entrepreneurial climate in South Africa was conducive for the involvement of expatriate entrepreneurs, the researcher consulted secondary sources. Information

gathered in this manner was collected from journals, articles, press reports, textbooks and research studies. Appropriate information gathered was analysed and compared with the findings of the empirical research.

3.4.2 Empirical research

The researcher conducted a survey through administering a web-based research questionnaire so that the findings of the literature study could be substantiated. The purpose of this survey was to gather quantitative data of certain aspects of the studied population. The method of collecting information was by posing structured and predefined questions.

The use of both stratified and snowball sampling resulted in a convenience sample of 163 ex-South Africans, who are either existing entrepreneurs or contemplating an entrepreneurial venture and who are now living and working mainly in London, in the UK. This data should be considered as having been generated from a small number of respondents for which statistical inference and p-values are not relevant (Ellis & Steyn, 2003:51).

3.4.3 Measuring instrument

A questionnaire as measuring instrument was used to establish whether the entrepreneurial climate in South Africa is conducive to the involvement of expatriate-entrepreneurs. The two components of the questionnaire applicable to this study are biographical information and questions relating to entrepreneurship.

The biographical section was used to obtain information about the expatriate. Questions in this section related to the respondent's gender, age, ethnic background, level of formal qualification, type of visa, years of residence in the UK, years of working experience, primary industry involved with and the legal status of the business involved with.

In the section relating to entrepreneurship the respondents were asked to rate their own entrepreneurial competencies. They were also asked about those

entrepreneurial conditions that would increase the propensity of them returning to South Africa as an entrepreneur. Respondents were also asked to give their impression on the entrepreneurial climate in South Africa.

3.4.4 Data analysis

The SPSS program (SPSS Inc version 16, 2008) was used to statistically analyse the data collected in the survey. Descriptive statistics (means and standard deviations) were used to analyse the data. Construct validity of the questionnaire was assessed by means of an exploratory factor analysis. Cronbach alpha coefficients were used to assess the reliability of the measuring instrument (Field, 2007:666).

T-tests were used to determine differences between gender, age groups and type of visa for the variables *political climate*, *economics*, *lifestyle* and *entrepreneurial opportunity* as factors impacting the decision to leave South Africa as well as the variables *economic wellness*, *effective government*, *lifestyle* and *entrepreneurial opportunity* as factors that could compare the existing circumstances in the new country to those that existed in South Africa before they left.

Box plots and error bars were used to compile the profile of the respondents concerning the extracted constructs. Effect sizes were calculated in order to determine the practical significance of relationships. A cut-off point of 0.30 (medium effect) was set for the practical significance testing (Field, 2007:32). Effect sizes were also calculated in order to determine the practical significance of difference in means. A cut-off point of 0.20 (small effect), 0.50 (medium effect) and 0.80 (large effect) was set for practical significance testing (Ellis & Steyn, 2003:51-53).

3.5 RESULTS

3.5.1 Survey respondents

A total of 163 ex-South Africans now living and working mainly in London, England completed the questionnaire. Most of the respondents (87,7%) have been residing in their new country between 1 to 10 years with 46,6% between 6 to 10 years. The survey showed that the largest segment of the respondents (46,6%) obtained permanent residence in the United Kingdom (UK).

3.5.2 Highest level of education

Only 0,6% of the respondents had less than a grade 12 qualification whilst almost 93% had a post-grade 12 qualification. Postgraduates totalled 44,2% of the respondents. The respondents could thus be classified as highly skilled.

3.5.3 Factor analysis

This analysis focused on the different factors relating to the respondents' self-perception of entrepreneurial ability. Eighteen items were used in the exploratory factor analysis to construct the factors that measured the self-perception of competencies needed to be an entrepreneur. There was theoretical justification to believe that extracted factors were correlated and therefore an oblique rotation was done (Field, 2007:636).

Table 3.3: Factor analysis on factors relating to the respondents' self-perception of entrepreneurial ability (pattern matrix)

| Item | Construct 3.1 Opportunity maker | Construct 3.2 Success driver | Construct 3.3 Self-Manager | Construct 3.4 Change agent | Construct 3.5 Self-starter |
|---|------------------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Ability to see opportunities in marketplace | 0.713 | -0.065 | -0.072 | 0.173 | 0.275 |
| Persuasive | 0.700 | 0.044 | -0.049 | 0.252 | 0.100 |
| Honesty | 0.579 | 0.298 | -0.003 | -0.211 | -0.243 |
| Self-confidence and optimism | 0.562 | 0.030 | 0.192 | 0.171 | 0.127 |
| People judgement | 0.494 | 0.146 | 0.226 | -0.184 | 0.053 |
| Self-discipline | 0.042 | 0.745 | -0.030 | -0.030 | 0.105 |
| Ability to take responsibility | 0.088 | 0.737 | 0.100 | 0.223 | -0.139 |
| Perseverance | 0.196 | 0.491 | 0.216 | 0.044 | 0.084 |
| Ability to adapt to changes | 0.028 | -0.015 | 0.772 | 0.251 | -0.001 |
| Self-awareness of strengths and weaknesses | -0.030 | 0.066 | 0.763 | 0.057 | 0.004 |
| Patience | -0.039 | -0.046 | 0.759 | -0.133 | 0.010 |
| Ability to manage ambiguity or uncertainty | 0.087 | 0.025 | 0.155 | 0.744 | 0.127 |
| Problem solving skills | 0.283 | -0.009 | 0.031 | 0.703 | -0.237 |
| Support needs | -0.206 | 0.264 | 0.023 | 0.627 | 0.156 |
| Level of creativity and innovativeness | 0.283 | -0.270 | 0.041 | 0.055 | 0.749 |
| Energy levels | -0.015 | 0.210 | 0.149 | -0.174 | 0.713 |
| Level of commitment to success | -0.022 | 0.426 | -0.108 | 0.176 | 0.544 |
| Ability to self-start a project | 0.159 | 0.063 | 0.318 | 0.227 | 0.492 |

(1) Loadings greater than 0.400 were considered significant.

(2) The five extracted constructs were labelled as follow:

- Construct 3.1: Opportunity maker
- Construct 3.2: Success driver
- Construct 3.3: Self-manager
- Construct 3.4: Change agent
- Construct 3.5: Self-starter

The analysis of the eighteen items resulted in the identification of five constructs labelled as *opportunity maker*, *success driver*, *self-manager*, *change agent* and *self-starter*. These five factors, with eigenvalues >1, explain 61.726% of the variance before rotation. After rotation, these factors were labelled the same as above.

The Kaiser-Meyer-Olkin measure of sampling adequacy measured a value of 0.832 for the different factors in this group. This value indicates that the factor analysis can be regarded as very reliable for this sample size.

Construct one, labelled as *opportunity maker*, comprised the following seven items: *ability to see opportunities in marketplace, being persuasive, honesty, self-confidence and optimism, and people judgement*. A potential entrepreneur should not only be able to see an opportunity, but should also be persuasive and honest enough to convince other people with confidence about the opportunity.

Construct two, labelled as *success driver*, comprised three items, namely, *self-discipline, ability to take responsibility and perseverance*. All three these qualities are needed to make a success of an entrepreneurial endeavour.

Construct three is labelled *self-manager* and is made up of the items: *ability to adapt to changes, self-awareness of strengths and weaknesses and patience*. Entrepreneurs need to adapt constantly to new situations and need to know exactly what their strengths and weaknesses are so that they conform to the changes with ease. However, they should be patient and not make hasty decisions in these situations.

Construct four, labelled as *change agent*, comprised the following three items: *ability to manage ambiguity or uncertainty, problem solving skills and support needs – the degree a person needs someone to assist versus coping by oneself*. Entrepreneurs thrive on ambiguity and uncertainty and should have the necessary skills to solve problems stemming from the uncertainty.

Construct five is labelled as *self-starter* and refers to the items *level of creativity and innovativeness, energy levels, level of commitment to success of own business and ability to self-start a project*. Starting an own business requires special qualities and potential entrepreneurs should have the confidence that they do possess these attributes necessary to make a success of the entrepreneurial endeavour.

After rotation, only one item loaded onto more than one factor (values greater than 0.45), namely *level of commitment to success* which loaded on factor two (*success driver*) as well as factor five (*self-starter*). Rather than deleting this item it was

decided to classify the item in the factor where it has the most interpretation value (factor five – *self-starter*).

The exploratory factor analysis, together with the interpretability of the factors, provides evidence of construct validity.

3.5.4 Reliability of the constructs

Cronbach's alpha coefficients were calculated so that the internal consistency between the items of the measuring instrument could be evaluated. Reliability means that the scale should consistently reflect the construct it is measuring. An instrument, such as a questionnaire, that produces different scores every time it is used under the same conditions, has low reliability (Field, 2007:666). Even though values of 0.7 - 0.8 are acceptable values for Cronbach's alpha (Field, 2007:668), values below 0.7 can even be more suitable when dealing with psychological constructs (Kline, 1999:136). However, the greater the Cronbach alpha coefficient, the more reliable the scale is.

Table 3.4: Reliability of the factors that measured the respondents' self-perception of entrepreneurial ability

| Factor | Cronbach alpha |
|-------------------|----------------|
| Opportunity maker | 0.739 |
| Success driver | 0.665 |
| Situation analyst | 0.656 |
| Change agent | 0.657 |
| Self-starter | 0.735 |

Two of the constructs that measured the respondents' self-perception of entrepreneurial ability have high Cronbach alpha coefficients.

3.5.6 Differences in means of constructs that measured the respondents' self-perception of entrepreneurial ability

The differences in the means between the extracted constructs, namely *opportunity maker*, *success driver*, *self-manager*, *change agent* and *self-starter*, were examined.

Table 3.5: Factors measuring the self-perception of entrepreneurial ability

| Construct | N | Mean | Standard Deviation |
|-------------------|-----|--------|--------------------|
| Success driver | 162 | 4.5309 | 0.50059 |
| Change agent | 162 | 4.2654 | 0.61625 |
| Self-starter | 162 | 4.3410 | 0.56058 |
| Opportunity maker | 162 | 4.2164 | 0.53225 |
| Self-manager | 162 | 4.0360 | 0.70459 |

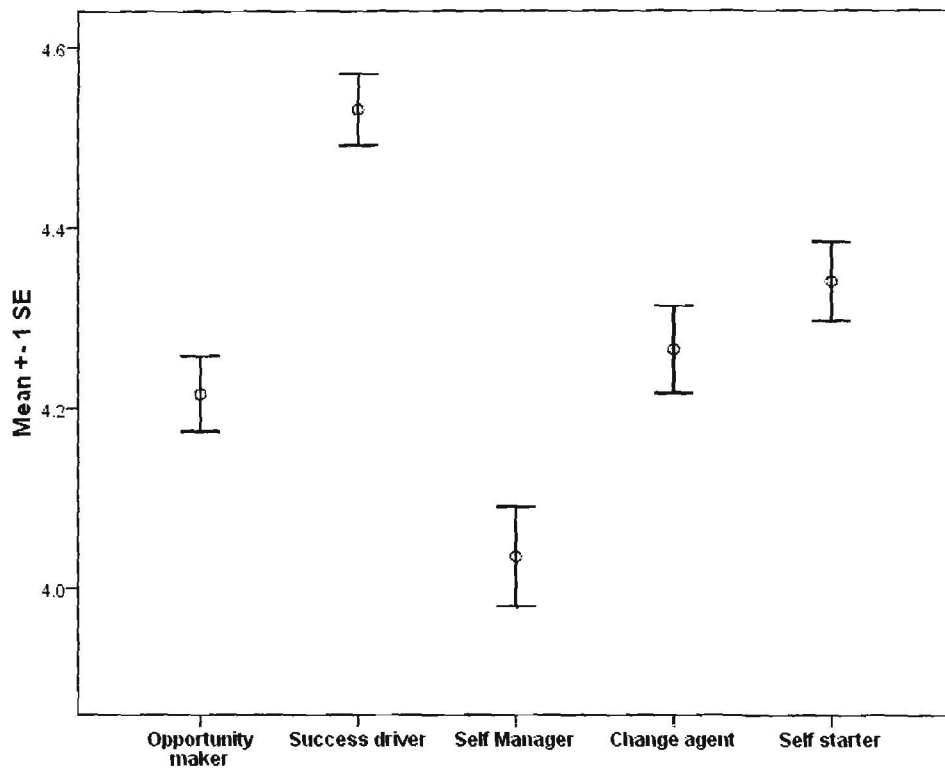
❖ Cases with missing values were deleted.

The items that made up the construct *success driver* had the highest mean in this study.

3.5.7 Profile of potential entrepreneurs' self-perception of entrepreneurial ability in this study

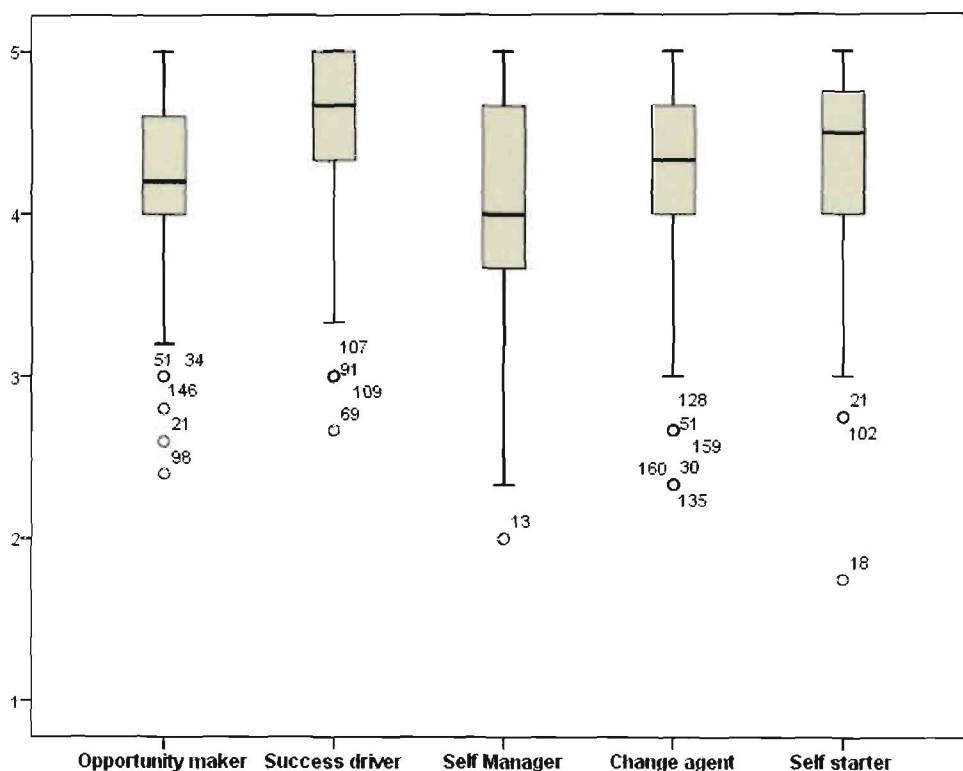
To determine the profile of the potential entrepreneurs concerning their self-perception of entrepreneurial ability, two graphs were drawn from the data. Graph 3.1 is an error bar indicating the mean \pm 1 standard error. Graph 3.2 is a box plot showing the 5-point summary of the constructs extracted from the different items in the questionnaire. Graph 3.1 displays an area of uncertainty of 1 standard error (1 SE) on either side of the mean.

Graph 3.1: Error bar indicating the mean \pm 1 standard error



Graph 3.1 shows that the area of uncertainty, or spread within the mean, is virtually the same for all the constructs. This graph gives an indication that the mean value of the construct success driver is higher than the other constructs.

Graph 3.2: Box plot showing the 5-point summary of the data



Being a more robust method of comparison, the box plot interprets the medians and the position thereof in relation to the spread of the data. The construct *success driver* again proves to be an important element in the respondents' self-evaluation of their entrepreneurial ability.

3.5.8 Profile of respondents "most likely" to engage in entrepreneurial activity

Based on the means of the respondents' perception of their entrepreneurial ability, their entrepreneurial networks and their recognition of opportunities, the "likelihood" of these respondents starting their own business was established. These factors are related to higher levels of entrepreneurial activity. Individuals that rank high are more likely to engage in entrepreneurial activity (Foxcroft *et al.*, 2002:21-27). In total, 118 respondents were classified as "most likely" candidates to engage in entrepreneurial activity. The effect of the "most likely" candidates among the respondents to engage in entrepreneurial activity (n=118) and the rest of the respondents (n=44) was also investigated and is shown in Table 3.6. The differences in the means for the constructs were also calculated for the different groups.

Table 3.6: Respondents' self-perception of entrepreneurial ability: most likely candidates versus the rest of the respondents

| Construct | "Most likely" candidates | | | The rest | | | Effect size |
|-------------------|--------------------------|--------|--------------------|----------|--------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Success driver | 118 | 4.2733 | 0.48831 | 44 | 4.0636 | 0.61572 | 0.34 |
| Change agent | 118 | 4.5650 | 0.47443 | 44 | 4.4394 | 0.58042 | 0.22 |
| Self-starter | 118 | 4.0862 | 0.67682 | 44 | 3.9015 | 0.76614 | 0.24 |
| Opportunity maker | 118 | 4.3588 | 0.53404 | 44 | 4.0152 | 0.74693 | 0.46 |
| Self-manager | 118 | 4.3919 | 0.50476 | 44 | 4.2045 | 0.67616 | 0.28 |

❖ Cases with missing values were deleted.

Table 3.6 shows that none of the effects were of practical importance and thus the profiles of the two groupings were not further investigated.

3.5.9 Cross-tabulation of the "most likely candidates" with "wanting to be involved with entrepreneurial opportunities in South Africa whilst staying abroad"

In an effort to refine the profile of the most likely candidates to engage in entrepreneurial activity and the rest of the respondents, a cross-tabulation was carried out with the question whether they would like to become self-employed in South Africa, if granted the opportunity.

Table 3.7: Cross-tabulation between entrepreneurial groupings and wanting to become self-employed in South Africa if granted the opportunity

| Entrepreneurial Grouping | Most definitely | Certain extent | Unsure | Limited extent | Not at all |
|----------------------------------|-----------------|----------------|--------|----------------|------------|
| "Most likely candidates" (118) | 51.7% | 18.6% | 11.0% | 11.0% | 7.6% |
| The rest of the respondents (45) | 20% | 17.8% | 40% | 11.1% | 11.1% |

Pearson Chi-Square: Value = 22.483

Degrees of freedom: 4

Effect size = 0.37 (medium effect)

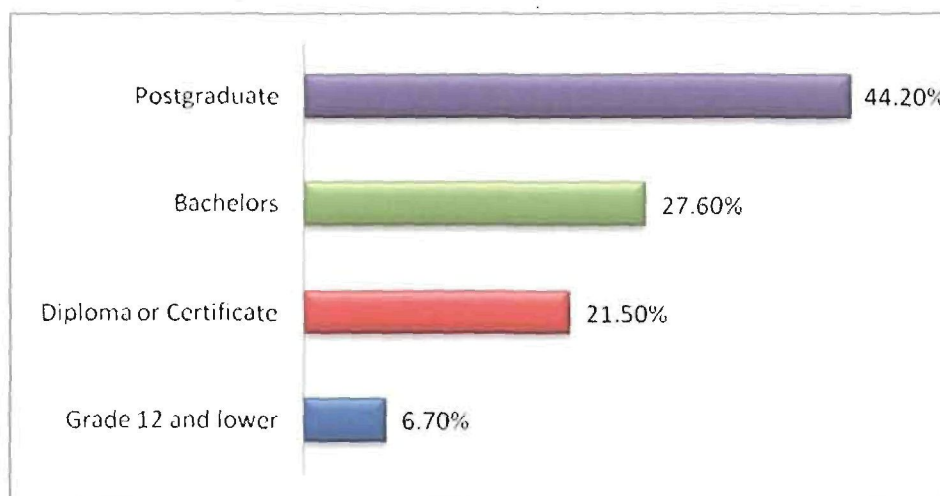
It is apparent that the "most likely" candidates have already made up their minds about being self-employed if granted the opportunity.

3.5.10 Descriptive statistics

Most of the respondents were male (67,9%), under the age of 39 (68,7%) and 96,9% were white. In total, 84,6% of the respondents had more than six years' working experience. Most of the respondents were employed by either a private (36,6%) or a public company (25,5%). Former South Africans who obtained permanent residence in the United Kingdom (UK) totalled 46,6%. The second largest group represented in the sample were those with work permits (16%) whilst those who obtained entry to the UK on a highly skilled migrant programme totalled 15,8%.

The level of education is a very important component of entrepreneurial success. Graph 3.3 gives a breakdown of the level of education of the respondents. Refer to section 3.2.3.2.

Graph 3.3: Highest level of education of respondents



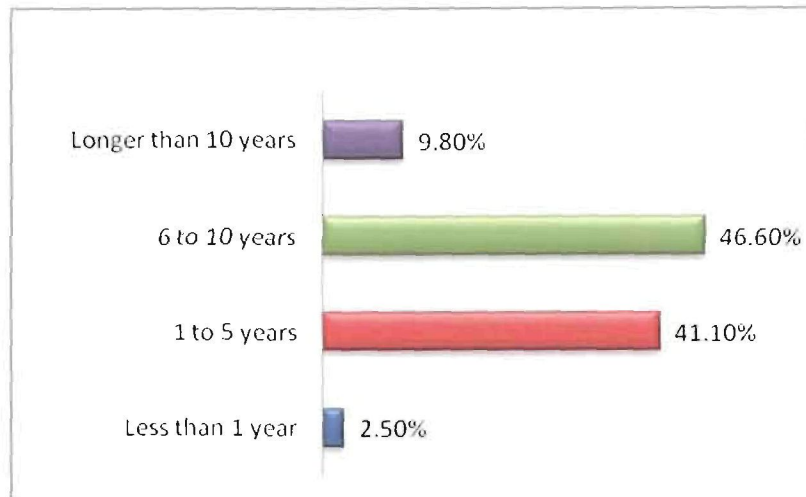
Source: Response to Question 5 (Appendix 1)

In total, 93,3% had a post-Grade 12 qualification with 71,8% having either a Bachelors degree or postgraduate qualification. It is significant that the majority of the respondents were highly skilled.

Although all expatriates were exposed to the survey on an equal basis, it is significant that the majority of participants that decided to take part in the survey

were those who have been away from South Africa the longest. Graph 3.4 shows the period of residence in London in the UK.

Graph 3.4: Years of residence in London, UK

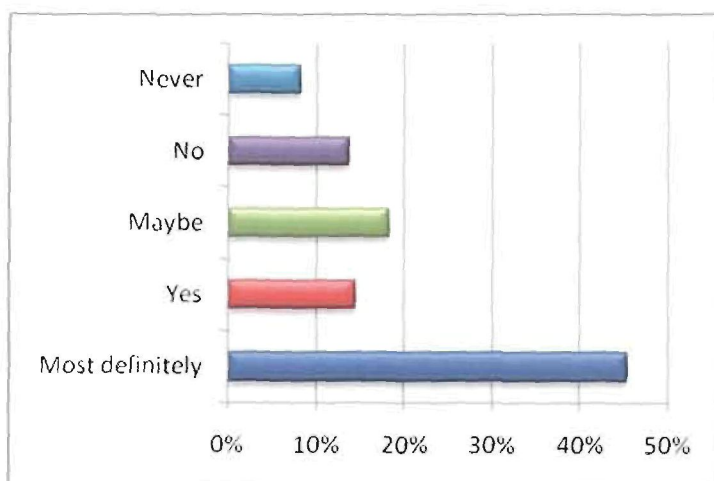


Source: Response to Question 7 (Appendix 1)

Almost half (46,6%) of the respondents have been residing in the United Kingdom between 6 to 10 years. However, because this was a convenience sampling technique, this sample cannot be considered representative of the total expatriate population in the UK.

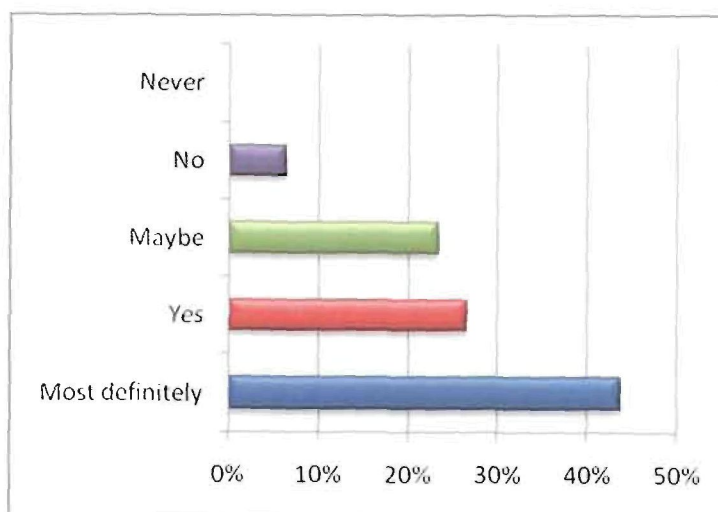
Respondents were asked about their desire to become self-employed, or, if they were already self-employed, whether they would like to own another business. Graph 3.5 shows the responses concerning self-employment in South Africa and Graph 3.6 shows the responses concerning self-employment anywhere in the world.

Graph 3.5: Desire to become self-employed in South Africa



Source: Response to Question 20 (Appendix 1)

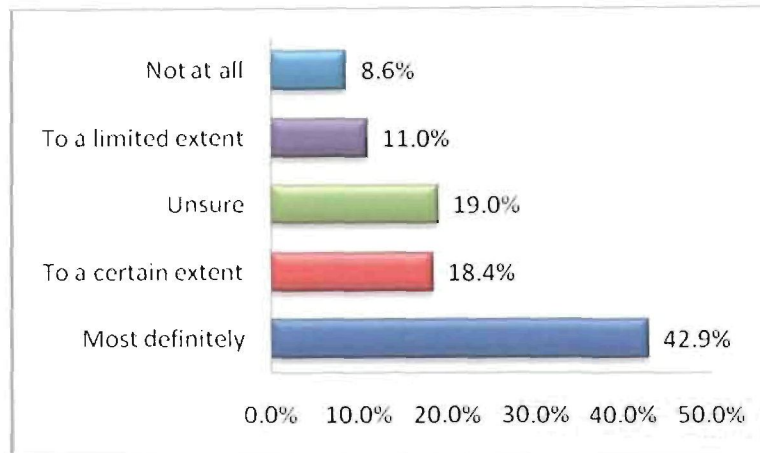
Graph 3.6: Desire to become self-employed anywhere in the world



Source: Response to Question 20 (Appendix 1)

On the question to what extent the respondents wanted to be become involved with entrepreneurship opportunities in South Africa, even whilst staying abroad, 61,3% indicated that they would like to become involved. Graph 3.7 shows the breakdown of the answers to this question.

Graph 3.7: Extent to which they want to be involved with entrepreneurship opportunities in South Africa

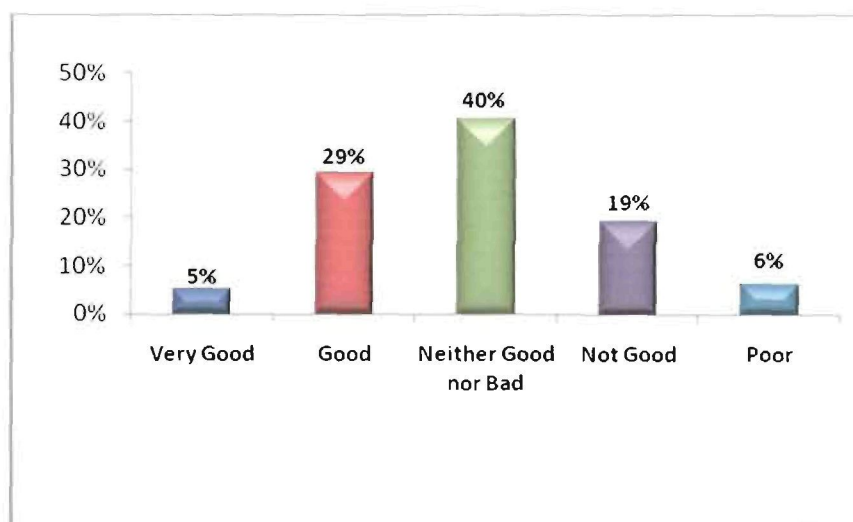


Source: Response to Question 21 (Appendix 1)

From the above graph, it is clear that the majority of the respondents (61,3%) would like to be involved with entrepreneurial opportunities in South Africa with a further 19% who were unsure.

Respondents were asked directly what their opinion was of the entrepreneurial climate in South Africa. Graph 3.8 reflects the opinion of the respondents.

Graph 3.8: Rating of business climate in South Africa for independently owned businesses



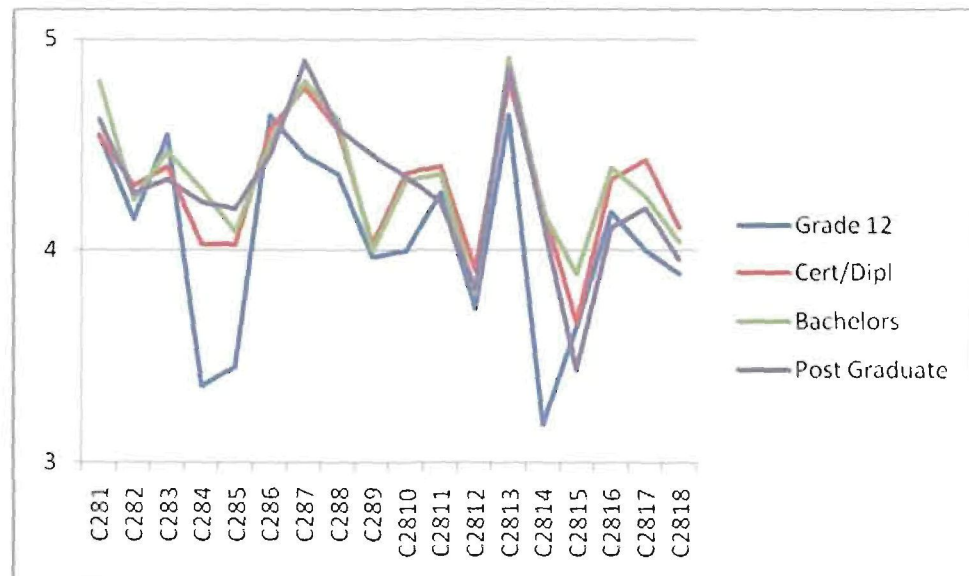
Source: Response to Question 23 (Appendix 1)

Even though a large number of the respondents were uncommitted and selected neither good nor bad, it is marginally positive.

Respondents were given the opportunity to do a self-evaluation of their entrepreneurial characteristics. This was done on a five-point scale where they could select between a definite weakness, moderate weakness, neither strength nor a weakness, moderate strength, and definite strength.

Graph 3.9 shows the means of the self-evaluation according to the level of education whilst Table 3.10 gives a breakdown of the elements on the x-axis.

Graph 3.9: Self-evaluation of entrepreneurial traits



Source: Response to Questions 5 and 28 (Appendix 1)

Table 3.8: Breakdown of elements on x-axis of Graph 3.9

| No | Competency |
|-------|---|
| C281 | Level of commitment to success in business |
| C282 | Level of creativity |
| C283 | Energy levels |
| C284 | Support needs – always needs someone to support versus cope on your own |
| C285 | Ability to manage ambiguity or uncertainty |
| C286 | Perseverance |
| C287 | Ability to take responsibility |
| C288 | Problem solving skills |
| C289 | Persuasiveness |
| C2810 | Self-discipline |
| C2811 | Self-confidence and optimism |
| C2812 | Ability to see opportunities in marketplace |
| C2813 | Honesty |
| C2814 | People judgement |
| C2815 | Patience |
| C2816 | Ability to adapt to changes |
| C2817 | Self-awareness of own strengths and weaknesses |
| C2818 | Ability to self-start a project |

It is clear from Graph 3.9 that there are real differences among entrepreneurs with different levels of education. Highly skilled entrepreneurs do not need support on the same level as entrepreneurs with Grade 12 (C284), whilst highly skilled entrepreneurs are also more aware of their own strengths and weaknesses compared to the skilled entrepreneurs.

3.6 DISCUSSION

In the literature, a number of questions concerning the entrepreneurial climate in South Africa are raised. The GEM reports over the period 2001 to 2006 investigated this aspect thoroughly and much attention has been given to areas that influence the

entrepreneurial climate (Driver *et al.*, 2001:13, 28-29; Foxcroft *et al.*, 2002:13, 21-27; Orford, Wood, Fischer, Herrington & Segal, 2003:4, 11, 14; Orford *et al.*, 2004:10; Von Broembsen *et al.*, 2005:7, 11, 21; Maas & Herrington, 2006:12, 13, 15). The overall impression from these reports is that, even though there are signs that an entrepreneurial climate does exist, much can still be done to improve the situation.

Research in this respect states emphatically that South Africa needs skilled entrepreneurs that can make a contribution to the economy (Brown, 2000:107; Fourie, 2006:6-9; Kuznetsov & Sabel, 2006:6; Marks, 2004:4; Nasser *et al.*, 2003:393). This sentiment has been echoed by South African politicians (Matsepe-Casaburi, 2002:3; Mbeki, 1999:1; Mkhize, 2006:1; Radebe, 1999:1; Shilowa, 2007:1).

The question that arises is what is considered as a “skilled” entrepreneur that South Africa so desperately seeks. “Skilled” should be defined more clearly from an entrepreneurial point of view. Research has shown that the higher the level of education of an individual, the greater tendency to pursue entrepreneurial activities and the greater the probability of starting a new venture that progresses past the start-up phase (Driver *et al.*, 2001:39; Foxcroft *et al.*, 2002:22). In this study, “skilled” was classified as having a grade 12 qualification and “highly skilled” any qualification after grade 12. The respondents to this survey were overwhelmingly “highly skilled”.

A factor analysis on the different factors relating to the respondents’ self-perception of entrepreneurial ability was done. Eighteen items were used in the exploratory factor analysis to construct the factors that measured the self-perception of competencies needed to be an entrepreneur. Five constructs labelled as *opportunity maker*, *success driver*, *self-manager*, *change agent* and *self-starter* were extracted. An analysis of the means, which included a ranking of the means, and the drawing of graphs depicting an error bar, indicating the mean \pm 1 standard error, as well as a box plot, showing the 5-point summary of the constructs, shows that the construct *success driver* is held in high esteem by the respondents. This construct refers specifically to self-discipline, the ability to take responsibility and perseverance. These are valued qualities of successful entrepreneurs.

This study also distinguished between those entrepreneurs that were “most likely” going to engage in entrepreneurial activities and the rest. Based on the means of the respondents’ perception of their entrepreneurial ability, their entrepreneurial networks and their recognition of opportunities, the “likelihood” of these respondents of starting their own business was established (Foxcroft *et al.*, 2002:21-27).

Through the Pearson Chi-square test and effect size it was established that the “most likely” group differs from the rest of the study sample, especially regarding the question whether they would like to become self-employed in South Africa, if granted the opportunity. A total of 70,3% of the “most likely” group indicated that they would like to become self-employed in South Africa if granted the opportunity, compared to 38,3% of the rest of the respondents. This statistic is indicative of the situation at hand, namely that expatriate-entrepreneurs would be willing to be involved with South Africa if the entrepreneurial opportunity arises.

Respondents in this study had to respond to a number of questions that would indicate whether they thought that the entrepreneurial climate in South Africa is conducive to the involvement of expatriate-entrepreneurs. The fact that a large number of the respondents selected “neither good nor bad” as an option, could be a result of them being out of the country for a long period of time. This question should rather be evaluated against the willingness of a large portion of the sample that indicated their willingness to return to South Africa permanently (55,8% of total number of respondents) and the extent to which they still want to be involved with entrepreneurial opportunities in South Africa even whilst still abroad (59,8% of total number of respondents that are willing and 18,2% that said “maybe”). If South Africa was, in their opinion, not conducive for involvement, these ratios would have been smaller.

Considering the profile of the respondents all presumed to be entrepreneurs or potential entrepreneurs and at the needs of the entrepreneurial fraternity in South Africa, it is arguably a good match. South Africa needs entrepreneurs with the qualities, drive and self-efficacy that these respondents possess. The entrepreneurs that took part in this research are looking for entrepreneurial opportunities and the

majority has indicated that they want to return to their country of origin. This in itself makes South Africa conducive to involvement by expatriate-entrepreneurs.

3.7 RECOMMENDATIONS

To instil a positive climate for entrepreneurship in South Africa is not only the task of one entity. There are many role players that stand to benefit from having a positive entrepreneurial climate. These include the government of the day, the business community, and individuals per se.

Judged by the GEM reports only and because South Africa is ranked low on the international ranking as far as TEA is concerned, the impression is left that South Africa does not have a very good entrepreneurial climate. Based on the 2005 GEM rankings, South Africa is in the 25th position out of 35 countries (Von Broembsen *et al.*, 2005:7). The GEM measures entrepreneurial culture as the enterprising spirit and activities during the initial phases of the entrepreneurship. South African entrepreneurs, however, have the potential to start businesses with global impact that can create tremendous change for good in society and that is why this country needs innovative companies that have the potential to serve a global marketplace (Shuttleworth, 2007:1).

It is recommended that educators, financiers, the private sector, government, or everyone involved in the field of entrepreneurship, should be actively involved in identifying, starting-up and developing of entrepreneurs that can take South Africa to a next level as far as entrepreneurship is concerned. The national government should be the driving force of this process.

The methodology used in this study to identify the most likely candidates to engage in entrepreneurial activity, should be refined in further studies. This method entailed identifying those individuals with formal education and exposure to family members and friends with entrepreneurial experience, who believe that they have the necessary skills, who recognised good business opportunities and who personally knows an entrepreneur or has entrepreneurs in their social or business networks.

These individuals can be classified as potential entrepreneurs who would “most likely” start a business within the foreseeable future.

It is recommended that this method be expanded so that it could be of value to especially financial institutions and/or other entities, like business brokers and franchisors, who want to select or screen prospective clients. It is also recommended that further research be undertaken to expand the five constructs relating to self-perception of entrepreneurial ability that was extracted in the factor analysis, namely *opportunity maker*, *success driver*, *self-manager*, *change agent* and *self-starter*. These concepts could enhance the process of identifying the potential entrepreneurs.

The attractiveness of South Africa as destination for potential expatriate-entrepreneurs will improve if government would address the following:

- Access to cheaper and different funding models especially to attract knowledgeable, qualified and experienced expatriates to South Africa;
- Integrated support services such as training, research and consulting;
- More affordable access to venture capital;
- Improved service delivery on various government levels;
- Less policy conflicts between government departments and improved service delivery and quicker payment for services rendered;
- An education system that needs to stimulate entrepreneurship;
- Government policies should include incentives for new businesses as well as export development;
- Government programmes for business support should be promoted more vigorously; and
- Special recognition for the role that expatriates could play in developing an entrepreneurial climate.

3.8 SUMMARY

South Africa needs entrepreneurs at all levels but preferably opportunity entrepreneurs. Many expatriate entrepreneurs have indicated that they still want to be involved with entrepreneurial opportunities in South Africa even whilst staying abroad and should that happen, with their acquired knowledge and skills, it will definitely contribute towards a better entrepreneurial climate in the country.

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CHAPTER 4

SOUTH AFRICAN EXPATRIATE-ENTREPRENEURS: A FRAMEWORK FOR INVOLVEMENT AND VALUE EXCHANGE

ABSTRACT

Diaspora networks are one of the vehicles by which expatriates can become involved, if they so desire, with their country of origin. One of the more successful diaspora networks, seen as a model for involvement and value exchange, is Globalscot. In South Africa, a number of attempts have been made in the past to follow suit, but to no avail.

Entrepreneurs need innovative ideas and viable opportunities, as well as a thriving network of mentors, clients, investors and partners to help them start and grow their businesses. Expatriate-entrepreneurs are no exception to this, and their ties to their country of origin can only be strengthened if they can be part of a network that will provide value in exchange for their inputs.

The study necessitated the use of stratified and snowball sampling techniques. In a survey among expatriates from South Africa, now residing mainly in London in the United Kingdom, a group of 163 expatriate-entrepreneurs completed a questionnaire that was posted on the Internet. It could be accessed by way of a website link in different media that was used for this survey. This media reached almost 150 000 individuals in 10 databases.

This research has shown that there are a high number of respondents willing to be involved with a network for entrepreneurs with South African linkages. The majority

of the respondents is of the opinion that such a network would have benefits not only for themselves, but also their families, friends and former colleagues.

South Africa is in need of various alternatives to stimulate the entrepreneurial climate in the country. An entrepreneurial network involving expatriate entrepreneurs, with the exchange of their knowledge, information and business leads, could contribute towards the improvement of entrepreneurial performance.

OPSOMMING

Diaspora netwerke is een van die metodes wat uitgewekenes kan gebruik om betrokke te bly by hul land van herkoms, sou hulle dit so verkies. Globalscot is een van die mees suksesvolle netwerke wat beskou kan word as 'n rolmodel vir betrokkenheid en die toevoeging van waarde. In Suid-Afrika was daar al verskeie pogings om hierdie model na te doen, maar sonder enige sukses.

Entrepreneurs benodig innoverende idees en lewensvatbare geleenthede, sowel as 'n lewenskrachtige netwerk van raadgewers, kliënte, beleggers en vennote om hulle met die vestiging van hul ondernemings sowel as die groei daarvan, te help. Uitgeweke entrepreneurs is geen uitsondering op die reël nie en hul bande met hul land van herkoms kan net versterk word as hulle deel kan wees van 'n netwerk wat hulle sal voorsien van toegevoegde waarde, in ruil vir hul insette tot die netwerk.

Hierdie studie was genoodsaak om van gestratifiseerde- en sneeubal-steekproeftegniese gebruik te maak. Tydens navorsing onder uitgewekenes van Suid-Afrika wat nou hoofsaaklik in Londen in die Verenigde Koninkryk bly, het 163 respondente 'n vraelys voltooi wat op die Internet beskikbaar gestel is. Toegang kon verkry word deur 'n skakel na 'n webtuiste wat spesifiek vir hierdie navorsing gebruik is. Die verskillende media wat die navorsing ondersteun het, het die skakel beskikbaar gestel. Hierdie media het bykans 150 000 individue deur 10 databasisse bereik.

Hierdie navorsing het getoon dat daar 'n groot aantal van die respondente was wat bereid was om betrokke te raak by 'n entrepreneuriese netwerk met Suid-Afrikaanse koppeling. Die meerderheid van die respondente is van mening dat so 'n netwerk voordele kan inhou vir hulself en ook vir hul families, vriende en voormalige kollegas.

Suid-Afrika het 'n behoefte aan 'n verskeidenheid van alternatiewe ten einde die entrepreneuriese klimaat in die land te stimuleer. 'n Entrepreneuriese netwerk, waarby uitgewekenes betrokke kan raak, waar kennis, inligting en sake-geleenthede uitgeruil kan word, kan alles bydra tot die verbetering van entrepreneuriese prestasie.

4.1 INTRODUCTION

Economic development and entrepreneurship are closely related and the entrepreneurial process is a major factor in economic development whilst the entrepreneur is the key to economic growth. Whatever the economic and political set-up of a country, entrepreneurship is indispensable for economic development. Entrepreneurship is an approach that can be applied in start-up situations as well as within more established businesses (Bayineni, 2005:39).

The essence of entrepreneurship has been described as an orientation towards seeking opportunities (Stevenson & Jarillo, 1990:23). Opportunities cannot be boxed into boundaries; it is everywhere. One of the characteristics of entrepreneurs comprise that they are constantly looking for new opportunities. Successful entrepreneurs have an obsession with opportunity, and it is this obsession with opportunity what guides how an entrepreneur deals with important issues (Timmons & Spinelli, 2007:51).

Measured against the Total Entrepreneurial Activity (TEA) index and compared to other countries, South Africa has been performing well below the average since 2001 (Driver, Wood, Segal & Herrington, 2001:13; Foxcroft, Wood, Kew, Herrington & Segal 2002:13; Orford, Herrington & Wood, 2004:10; Von Broembsen, Wood & Herrington 2005:7; Maas & Herrington, 2006:15). If entrepreneurial potential is not given the opportunity to foster and develop, it can lead the way for potential entrepreneurs to emigrate to more lucrative pastures, or stand in the way of potential expatriate-entrepreneurs to be lured back to South Africa or involve entrepreneurs in the South African economy despite where they might find themselves on the globe.

The Global Entrepreneurship Monitor (GEM) of 2006 distinguishes between entrepreneurs who say they are pursuing and taking advantage of a business opportunity, referred to as opportunity entrepreneurs, and those who say they are involved in an entrepreneurial effort, because they have no other choice of work, referred to as necessity entrepreneurs (Maas & Herrington, 2006:17). Whereas the total TEA index for 2006 ranks South Africa in the 30th position out of 42 countries with an average index of 5.29 compared to the average of 9.43 for all participating

countries, the TEA opportunity index ranks South Africa in the 33rd position with an average of 3.47 compared to 6.82 for the participating countries (Maas & Herrington, 2006:17).

There are many possible reasons given for the low TEA index of which three stand out. The education system, which does not stimulate the creation of new businesses, government policies and programmes and the lack of finance for new start-ups are all being quoted as important contributing factors that restrict entrepreneurial development (Foxcroft *et al.*, 2002:39-44; Von Broembsen *et al.*, 2005:8, 39; Orford *et al.*, 2004:45). The brain drain of the highly skilled could have contributed towards a vacuum and could have contributed to the low TEA opportunity index as many potential entrepreneurs have left the country. The brain drain has been experienced since before 1994 and this trend looks set to continue (Bailey, 2003:235).

The Global Entrepreneurship Monitor (GEM) of 2001, 2002 and 2005 showed that the higher the level of education of an individual, the greater the tendency to pursue entrepreneurial activities and the greater the probability of starting a new venture that progresses past the start-up phase (Driver *et al.*, 2001:22, 27; Foxcroft *et al.*, 2002:21-27; Von Broembsen *et al.*, 2005:8). To start a business does not necessarily require an adequate educational background, but it may be one of the key factors that will determine the success of the business (Schrör, 2006:8). From an entrepreneurial point of view it is thus imperative for any country to nurture its pool of highly skilled individuals in the anticipation that they would plough back into the economy which were invested in their education.

The reasons for the highly skilled leaving their country of birth, have been a topic of research and discussion since the late 1980s and the trend continues. Millions of expatriates are working and living in other countries than where they have been born and raised. The process where one country loses its highly skilled people to another country is referred to as brain drain, whilst brain gain is the mirror image of brain drain and a drain for one country is the gain for another (Fourie, 2006:6-9).

Brain circulation happens when the migrant decides to return to the country of origin on either a temporary or permanent basis. Circulation is important for both skilled and unskilled workers mainly because it could counter the negatives of brain drain as well as illegal immigration (Weil, 2002:50). Circulation or returning home is not the only way in which the expatriate can contribute to the economic well-being of the home country. There are other, very powerful ways and means in which expatriates can make a contribution to their country of birth like the ploughing back of intellectual capital through social and entrepreneurial networks (Japan, China, Korea and India), opening up of international markets through these networks (China) and technological and monetary investments (Bangladesh) (Raihan, 2002:4).

It is important to stimulate entrepreneurship in whatever manner and to ensure that a strong and vibrant small and medium-sized business sector exists within South Africa, especially as far as opportunity entrepreneurs are concerned. New start-ups in every form should thus be encouraged and stimulated, even among expatriates living abroad. This study will seek to encourage expatriates to view opportunities in the South African entrepreneurial environment from a positive perspective.

4.2 INTERNATIONAL DIASPORA NETWORKS

The “brain drain” concept was first noted in the 1960s when it was used to describe the migration of British intellectuals and scientists to the United States (Gaillard & Gaillard, 1997:201). Because governments invest in an individual’s human capital through training and education and expect a return on this investment when the individual becomes economically active and start paying taxes, the migration of skilled human resources present a “loss” to the country of origin. Various strategies to counteract the brain drain are being used by governments (Crush, 2002:148). One strategy is to introduce certain policies such as restrictive policies (compulsory medical or military service) or incentive policies (higher salaries upon completion of qualification) to restrict the brain drain (Zweig, 2008:66).

Another strategy that is used to counter the brain drain is the return option or brain circulation (Fourie, 2006:6-9). The return option involves attempts made by countries

to encourage their highly skilled expatriates to return home. The “diaspora network option” is a third strategy and represents a different and more positive approach to the brain drain. It takes a fundamentally different stance to traditional perspectives on the brain drain in that it sees the brain drain not as a loss, but a potential gain to the country of origin (Marks, 2004:4). Highly skilled expatriates are seen as a pool of potentially useful human resources for the country of origin; the challenge is to mobilise these brains (Brown, 2000:97).

The process of mobilisation normally follows the route of “discussions” being turned into “transactions”. “Discussions” include websites, conferences, workshops, on-line communications and any other activity that will help expatriates get to know each other, connect and eventually define the ways in which they can contribute to the development of their home countries (Kuznetsov, 2006:225). Because people normally would like to see tangible outcomes, “transactions” in this sense could be a joint project in the home country.

Diaspora Knowledge Networks (DKN) originated in the 1990s in Colombia when a network of engineers abroad (Red Caldas – Red Colombiana de Cientificos e Ingenieros en el Exterior) had been set up with the aim of mobilising, gathering and reconnecting expatriates with their home country that has just introduced a new national system of science and technology (Meyer & Wattiaux, 2006:6). Diaspora networks today are being used by participants to stay connected with their countries of origin through e-mails, forums, blogs and collaborative websites that users can easily modify via the web (also called wiki’s). Migrants who are successfully integrated into the working world of a receiving country often have a strong commitment to work for the well-being of their country of origin (Unesco, 2006:1). Over 150 Diaspora Knowledge Networks have been identified that are actively involved as instruments for host country - home country involvement (Unesco, 2006:3). Diaspora networks can be very diverse in nature, but are all built on the same basic objective, namely to be of benefit to the origin country. The nature could be scientific, technical, institutional, professional or financial (Meyer, 2007:7).

Even though diaspora networks have been received with some suspicions and criticisms on their ability to perform in a development role, there is convincing

evidence that many of the networks have an outstanding positive affect (Meyer, 2007:3). One of the best examples in modern day history where opportunities were seized outside the boundaries of a country is that of the Chinese “bamboo network”. Ethnic Chinese businesses based off the mainland of China seized the opportunity and became so successful in their new host countries that trade restrictions are placed on them by host countries. As a major global power these Chinese entrepreneurs are weaving a bamboo network in which they are tying together entrepreneurs, business executives, traders and financiers (Weidenbaum & Hughes, 1996:10).

This network has become so powerful that it is commonly referred to as the “Chinese Commonwealth”. Chinese businesses in East Asia, the United States of America, Canada, and even further afield in Africa and Europe are considered as the fourth economic power after North America, Europe and Japan. Even though this economic stronghold is not based in a single country like the other three, it is still considered to be a major economic force especially because of its network of entrepreneurial relationships (Kao, 1993:24).

Countries such as Scotland, Chile and China, have also succeeded in maintaining a linkage with their emigrants and in the process mutual benefits for both the country and the expatriate have been accrued (Kuznetsov & Sabel, 2006:1). Globalscot is a good example of a network of about 800 high-powered expatriates from Scotland now residing all over the world, that use their expertise and influence as “antennas”, “bridges” and “springboards” to generate a variety of projects in Scotland (Kuznetsov & Sabel, 2006:7). Chile took inspiration from this network and ChileGlobal is a network of 60 influential Chileans in the USA, Canada and Europe (Kuznetsov & Sabel, 2006:8).

Of all the different networks it seems as if Globalscot is seen as the most successful one. It is use as yardstick to measure other networks with and because of its successes the process could be use as an example of a framework.

4.3 HOW CAN EXPATRIATES BECOME MORE INVOLVED WITH THEIR HOME COUNTRY?

Losing highly skilled people to other countries is a worldwide phenomenon that could have a devastating effect on the economical and socio-economical well-being of any developing country (Fourie, 2006:40). Brain circulation, the process where people who leave their countries of origin to work and live in another country, return permanently to their home country at some point in time, is one way the initial loss of skills could be countered (Robinson, 2003:1). This process in itself has the benefit for the home country in that the migrant returns with newly acquired skills and knowledge (Fourie, 2006:6-9).

There is also evidence that a significant part of highly skilled expatriates are willing to help their country of origin. This can be a result of feeling guilty of having left and “making a fortune abroad”, opportunities to keep in touch with relatives, social or entrepreneurial expansion, or even just for sentimental reasons. Whatever the reason, expatriates are by large sensitive to the home country’s situation (Meyer, 2007:9). From the expatriate’s perspective, doing things for the home country is often seen as paying back a debt to the country where they were born, raised and educated, leading to the idea that the real “brain gain” is in fact the sum of all these individual “payback” initiatives (Unesco, 2006:3).

It would thus seem that the home country can tap into this pool of knowledge as it could have distinct benefits for both the expatriate as well as the country of origin.

4.3.1 Remittances

One of the most important contributions that expatriates can make is the transmission of direct or collective monetary remittances to their families, community groups or to specific projects. These can either be a non-commercial type of support such as the private remittances to members of a family or a commercial type of support such as an investment in some or other commercial business in the home country. Remittances, after foreign direct investment, are the most important source of external finance to developing countries. Remittances are higher than foreign aid

and are likely to be more stable than capital flows as portfolio investment and international bank credit (Solimano, 2003:1). Remittances are also an international redistribution from migrants to their families in the home country. Examples of collective remittances to community groups to support development projects are found in, among others, El Salvador and Mexico. India is a good example as far as investments by expatriates in commercial businesses are concerned and Somalia in the field of information technology and communications (Kuznetsov, 2006:226).

4.3.2 Tourism, transportation, telecommunications and trade

Apart from remittances, expatriates could also contribute to economic development in the form of tourism, transportation, telecommunications and trade (Orozco, 2003:3). As tourism could be a major money earner with most developing economies, diaspora could contribute in the same way as non-nationals when returning to their home countries for vacations. They could also attract other non-nationals to visit the country (Orozco, 2003:3). As far as transportation is concerned they could make use of the home country's airline and even car rental services when visiting. Regular contact with family, friends and business contacts could play a major role in the home country's telecommunication network. Diaspora can also play a major role in attracting exports from the country of origin mainly because they normally retain a taste for the foodstuffs and household goods that they grew up with (Orozco, 2003:3).

4.3.3 Intermediary

The expatriates' role as intermediary between sending and receiving countries are seen as an indirect way in which they contribute to exports or imports. Even though businessmen in the receiving country might have little knowledge about the imported products, the expatriates could have an indirect impact by creating a demand for these products or services (Lowell & Gerova, 2004:3). At the same time, the expatriates could, as consumers or business associates, help map out the potential for business opportunities in the sending country.

4.3.4 Transfer of knowledge through networks

The transfer of knowledge is another method in which expatriates can contribute to their country of origin. Intellectual or scientific diaspora networks aim to foster communication and exchanges between members living abroad and their counterparts in their home country. However, transnational social networks are often seen as the most powerful mechanism of diaspora and as such shape the ability of expatriates to transfer knowledge and business opportunities (Lowell & Gerova, 2004:4). The advancement of their members as far as education, social interaction, culture and professional development is concerned, is high on the priority list of networks (Meyer & Brown, 1999:10).

4.3.5 Supply of critical skills

Expatriates can also provide in the supply of critical skills in the home country, whether it is in the field of political leadership such as in China, the Baltic countries or South Africa in the post-apartheid era, in the filling of public sector positions, as was done in Afghanistan and Nigeria or in the filling of private sector positions of which the information technology sector in India is recorded as a prime case study (Kuznetsov, 2006:226).

4.4 SOUTH AFRICAN DIASPORA NETWORKS

There have been quite a number of attempts to establish networks for the South African diaspora. Not all have been proved to be successful whilst some have had limited success. These networks ranged from social networks such as a network for the members of a church group (SA Congregation, 2008:1) to a knowledge network like the South African Network for Skills Abroad (SANSA), that was established with its main objective to facilitate the development and utilisation of networks for knowledge sharing (SANSA, 2007:1).

4.4.1 South African Network of Skills Abroad (SANSA)

The SANSA database and networking tool is a virtual community with its main goal to facilitate the development and utilisation of networks for knowledge sharing, learning and transfer between SANSA members as well as the broader South African community (SANSA, 2007:1). Established in 1998 as a joint initiative between the University of Cape Town's Science and Technology Policy Research Centre and the French Institute of Research and Development, this network was handed over to the National Research Institute in 2000 (Marks, 2004:23).

Even though this initiative was very active in the beginning and attracted a lot of attention – 32 articles about the network appeared both in South African and international newspapers in 2001 – the projects from this network have not been numerous (Brown, 2003:1). It is also clear that the website is not active anymore as new members could not register from July 2008.

4.4.2 SA Diaspora Network

The SA Diaspora Network was founded in 2002 by the University of Cape Town (UCT) Graduate School of Business' Centre for Innovation and Entrepreneurship, with the support of the World Bank. The aim of this project was to mobilise a diaspora network to boost economic growth in the country especially between local South African businesses and well-connected and placed individuals in the United Kingdom (Marks, 2004:4).

4.4.3 Homecoming Revolution

The Homecoming Revolution is a non-profit organisation, sponsored by First National Bank with its main aim to encourage and help South Africans living abroad to return home. It was founded by an advertising agency and was launched in January 2003 to 28 000 South Africans worldwide. The Homecoming Revolution's website attracts thousands of visitors each month primarily from the UK, USA and SA, and secondarily from Australia, Canada and New Zealand (Marsland, 2004:1).

Even though the Homecoming Revolution is not a Diaspora Knowledge Network, it does fulfil a need among the expatriates in that it opens up lines of communication with expatriates. On its website it allows the user to view news, look for jobs, post comments, give advice on a wide variety of topics including entrepreneurship and business management and it also makes an effort to organise networking events abroad. It also publishes a monthly newsletter to inform its database about new developments and other topical issues in South Africa (Homecoming Revolution, 2008:1)

4.4.4 Come Home Campaign - AfriForum

The Come Home Campaign is a project of AfriForum, the civil initiative of the trade union Solidarity and its aim is to assist skilled expatriates to return to South Africa as well as to retain and involve would-be skilled emigrants. In order to achieve success, AfriForum continuously discusses crucial issues with non-governmental organisations, businesses and government departments. Through its website and monthly newsletters the Come Home Campaign keeps the expatriates on its database informed about problems that might arise when they decide to return, about topical issues like the crime situation, affirmative action, the economy by large and also has a whole range of links that might assist the expatriate upon return (AfriForum, 2008:1)

4.4.5 Skills, Investment, Business in South Africa (SIBiSA)

SIBiSA is a private initiative with the aim to equip and assist South Africans abroad to return to South Africa to start a business. As a network they showcase businesses in South Africa that are currently for sale and they also mediate contact between expatriates as potential buyers and these businesses (SIBiSA, 2008:1). This private initiative has the potential to reach entrepreneurs and could well be established as a network for South African entrepreneurs.

4.4.6 Global South Africans

Global South Africans is a network of South Africans who live abroad, but still feel deeply attached to the country and who have the desire to contribute to the country's growth and success. It was initiated by the International Marketing Council of South Africa and piloted in the United States of America. As a public-private partnership dedicated to increasing global support for South Africa, this initiative is not about building a database of members and seeing what happens. It is about engaging members as actively as their other commitments allow with carefully targeted requests for knowledge and ideas from stakeholders in South Africa (Global South Africans, 2008:1).

One aim of this initiative is to build a worldwide network of approximately a thousand of the best and brightest minds in the South African diaspora and connect them to where they make a difference in South Africa. Even though there is a strong business and finance orientation to the current membership, it is envisaged that the membership will eventually reflect the total spectrum (Barber, 2007:1).

It is also an aim of this network to play a significant role in promoting South African entrepreneurs and innovators, to spread the word of what South Africa has to offer, to give strategic advice and to help find partners and finance (Barber, 2007:1).

4.4.7 Tradepoint South Africa

In 1998, the South African government's Department of Trade and Industry (DTI) signed an agreement with the United Nations Conference on Trade and Development (UNCTAD) to develop the concept of Trade Point in South Africa. Trade Point is a gateway to global networking with a strategic objective to increase the participation of small businesses in international trade. Trade Point South Africa is managed by the Small Enterprise Development Agency (SEDA), an affiliate of the Department of Trade and Industry (Tradepoint, 2008:1).

4.4.8 Endeavor South Africa

Endeavor South Africa is a global non-profit organisation that identifies and supports innovative, high-growth entrepreneurs in emerging markets. Even though it is not a diaspora network as such, it operates along similar guidelines as Globalscot insofar as assisting high impact entrepreneurs to transform their industries, communities and even the country through business (Endeavor, 2009:1; Globalscot, 2009:1).

4.5 ENTREPRENEURIAL NETWORKS

Successful entrepreneurs need innovative ideas and viable opportunities, but they also need a thriving network of mentors, clients, investors and partners to help them start and grow their business. Entrepreneurial networks can be defined as those relationships in which an entrepreneur participates which will provide an important resource for his activities. These relationships may be articulated through membership to formal organisations, links to suppliers, distributors or customers or even by the utilization of social contacts such as acquaintances, friends, family or next of kin (Dodd & Patra, 2002:117).

Social networks are not only seen as a catalyst for the starting of new businesses, but they are also used when a business has moved to a solid business concept. Dialogue with trusted business friends is an important part of the validation stage of successful entrepreneurs (Dodd, Jack & Anderson, 2006:110).

Family and community networks play an important role among refugee entrepreneurs. As these entrepreneurs struggle to succeed with their business ventures, it is mostly family and friends that offer the support, cooperation and generosity that might contribute to the ultimate viability of the venture (Fong, Busch, Armour, Heffron & Chanmugam, 2007:138).

4.6 FRAMEWORK FOR INVOLVEMENT AND VALUE EXCHANGE

The potential for “brain gain” or value exchange lies in the capacity of expatriate-entrepreneurs to mobilise not only the knowledge and skills available to them but also other resources like capital, opportunities and social networks. A framework for value exchange should include the different networks and the contribution each can make for the betterment of the country of origin as well as the expatriates themselves.

4.6.1 Value networks

In any network all the role players should work together to co-produce value (Peppard & Rylander, 2006:132). This applies to both knowledge networks, where information regarding education, social interaction, culture and professional development is high on the priority list for the improvement of knowledge (Meyer & Brown, 1999:10), as well as business networks, where knowledge, information and business leads all contribute towards the improvement of entrepreneurial performance (Nijkamp, 2000:14-15). Value networks consist of the following components (Stabell & Fjeldstad, 1998:427):

- A set of customers;
- Some service the customers all use and that will enable interaction between the customers;
- Some organisation that provides the service; and
- A set of contracts that enables access to the service.

A value network can be compared to the network formed by phone users. The phone company provides a service, users enter into a contract with the phone company and immediately have access to all the value networks of other customers of the phone company. The purpose of this network is thus to communicate with other users of the network.

4.6.2 Globalscot as value-network

Globalscot, recognized as one of the most successful business networks in the world (Kuznetsov & Sabel, 2006:7), initially set out to establish a global network of high-profile expatriates and other individuals who have an affiliation with Scotland and who still have Scotland's economic interest at heart (MacRae & Wight, 2006:204). Its objectives during the first two-year period focused mainly on developing the necessary infrastructure to support and engage members. They were:

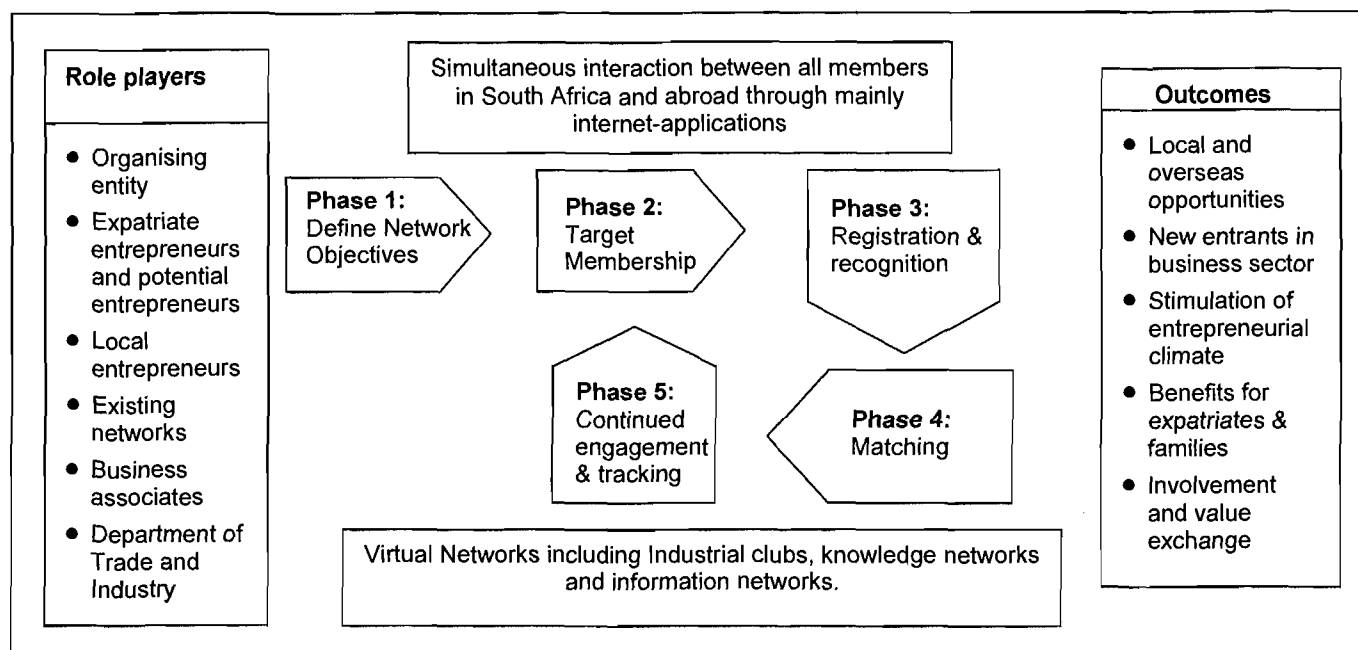
- To build an international network of expatriates;
- To mobilise members for different roles in the economy; and
- To maximize opportunities for network relationships, knowledge and expertise.

During the third and fourth years, Globalscot continued to emphasise member engagement whilst increasing its demand-side focus so that members and customers could benefit from its growing database (MacRae & Wight, 2006:205). From the outset it focused on creating value by generating effective relationships between members and other stakeholders. Globalscot members have signalled their willingness to help develop the Scottish economy through offering their time, expertise and contacts (Globalscot, 2009).

4.6.3 Framework for establishing a South African network for expatriate entrepreneurs

A framework for South African expatriate entrepreneurs should then be based on the value that these existing networks can contribute to the members as well as the networks themselves as well as South Africa as a country and especially the entrepreneurial sector. A study of the successful networks around the globe reveals a number of distinct characteristics and phases in the process of establishing these value networks (Kuznetsov & Sabel, 2006:1-20; MacRae & Wight, 2006:201-220; Kuznetsov, 2006:221-237; Marks, 2004:1-38; Marks, 2006:171-186; Peppard & Rylander, 2006:128-141).

Graph 4.1: Framework for establishing a South African network for expatriate entrepreneurs



4.6.3.1 Define network objectives

The first phase in establishing a value network would be to describe where the value lies in a network. Network focal is the organisation, business or individual whose business model relies on the network in question (Peppard & Rylander, 2006:134). The roles of each player in the network should be clearly defined as well as the resources, key strengths and capabilities of the network focal.

An entrepreneurial network for South African expatriates can include the organisation or the driving force behind the network itself, the individual expatriate-entrepreneurs or potential expatriate-entrepreneurs, other networks involving South African entrepreneurs, potential business associates of entrepreneurs as well as any organisation or institution that might add value to the expatriate-entrepreneur and South Africa by large. The Department of Trade and Industry (DTI) could be involved with a possible value-exchange incentive scheme for expatriate-entrepreneurs.

4.6.3.2 Target membership

The next phase in establishing a value network would be to identify, nominate and invite a target membership. Globalscot's broad specification for membership included that members should (MacRae & Wight, 2006:208):

- Be influential and active in a key sector as far as Scotland's economic development plan is concerned;
- Still have a strong affinity with Scotland;
- Be based in a target location that could be of benefit for Scotland's international exposure; and
- Be motivated and able to participate.

The Globalscot model is an exclusive model with strict entry qualifications. Exclusiveness thus proves to be a key ingredient for their success. Invitations are issued on a personal and face to face basis. The fact that individuals are targeted on an individual basis and that the process gives recognition to an individual as having the necessary ability to make a contribution to Scotland's economic development, is a major factor in the success of this network (MacRae & Wight, 2006:206).

The alternative to exclusiveness is to be open and invite as many individuals and role players to be part of the process. The main focus of the network would thus be to act as an agency to introduce the different role players and create the opportunity for them to interact with each other and identify opportunities (Barber, 2007:1). The success of this model would, however, not be as easy measureable as with Globalscot.

An entrepreneurial network for South African expatriates could be a virtual network such as for industrial clubs, knowledge networks or information networks. This model is easy to extend towards global levels (Nijkamp, 2000:15). Membership can be open as far as the public domain is concerned, but restricted and only available to invited individuals and organisations when specific services or products are on offer. The value proposition should be the driving force.

4.6.3.3 Registration and recognition

The advanced web technology being used is one of the key components of Globalscot's infrastructure (Globalscot, 2009:1). The website however, is assisted by a central support team which provides strategic and infrastructural development support and is responsible for the management of the network as well as dealing with registered member's enquiries (MacRae & Wight, 2006:208). Each member gets a personalised e-mail which provides full detail of the network.

An entrepreneurial network for South African expatriates should have a support function as far as web-development and the registration and recognition of members are concerned.

4.6.3.4 Matching

The secret of successful networking lies in the degree that different roleplayers manage to be linked or matched to each other so that value-add could be created. In Globalscot's case a powerful and influential website that provides access to knowledge, expertise and potential business opportunities, is used to match the roleplayers (MacRae & Wight, 2006:209; Globalscot, 2009:1). Using the latest internet technology the network links members to specific areas of business interest. It provides members the opportunity to globally connect with other members in international business, keeps them informed of developments in Scotland and delivers a range of tailored, personalised information services.

Matching, as well as the South African expatriates' connections with other expatriates all over the globe, could be this entrepreneurial network's biggest asset. Individuals who recognised good business opportunities were three times more likely to start a business than those who did not (Orford *et al.*, 2004:19). However, opportunities are only seized by those who are prepared to seize them (Krueger & Brazeal, 1994:92). A website could match South African entrepreneurs with South African expatriates where both parties are willing to explore business opportunities.

4.6.3.5 Continued engagement and tracking

Globalscot's success can be attributed to the sustained engagement and use of the members' know-how and business contacts. These successes are tracked by Globalscot's support team as contributions and include the following (MacRae & Wight, 2006:208):

- The identification of local and overseas business opportunities;
- Advice on market entry and assistance with negotiations;
- Access to business contacts, introductions and knowledge;
- Guidance on business strategy;
- Advice on business start-up and product and project development; and
- Mentoring, support and advice on company and management development.

A South African entrepreneurial network wanting to involve South African expatriate-entrepreneurs on a global basis should ensure sustained involvement and the only way would be by a value-add approach for all the participants. Bargaining on the expatriates' sense of loyalty and patriotism towards their country of birth might open the door of being interested, but eventually it would be their sense of business and the viability of the opportunity that would ensure continued engagement and support.

4.7 RESEARCH METHODOLOGY

The research of this study consists of an extended literature study and survey-based empirical research.

4.7.1 Literature study

The purpose of the literature study was primarily to provide a scientific basis for the theory and recognising prior research done on this topic. The literature study conducted included utilising computer-based searches according to the key words identified in the list of key terms. Secondary sources were consulted to determine

whether a framework for value exchange between expatriates and their country of origin does exist. Information gathered in this manner was collected from journals, articles, press reports, textbooks and research studies. This was done so that appropriate information gathered could be analysed and compared with the findings of the empirical research.

4.7.2 Empirical research

In confirming and complementing as well as substantiating the findings from the literature study, the researcher conducted a survey through administering a web-based research questionnaire. The purpose of this survey was to gather certain quantitative data of the studied population by asking structured and predefined questions.

4.7.3 Measuring instrument

A questionnaire as measuring instrument was developed to establish the level of networking of the respondents with social and business intent.

There were two components to the questionnaire used in this study, namely biographical information and questions relating to networking.

The biographical section was used to obtain information about the expatriate. Questions in this section related to the respondent's gender, age, ethnic background, level of formal qualification, type of visa, years of residence in the UK, years working experience, primary industry involved with and the legal status of the business involved with.

In the section relating to networking the respondents were asked to indicate their frequency of contact with people from South Africa as well as their method of contact. Respondents were also asked to indicate their reason for interaction with their networks and whether an international network of South African entrepreneurs could be beneficial.

4.7.4 Data collection

The questionnaire was posted on a survey website hosted by Vovici (<http://www.vovici.com>) from 27 May 2008 until 18 July 2008. The link to this website was posted in the different newsletters, newspapers and even “forwarded letters” to members of specific databases. Respondents were prompted to click on the link which opened the questionnaire. Follow-up letters were sent to all the role players at the different databases and they prompted the members of the database on two occasions to complete the questionnaire.

After the website closed for this survey, the raw data were extracted by the Statistical Consultation Services Department of the North West University (Potchefstroom campus).

4.7.5 The population

The population consisted of highly skilled ex-South Africans living and working mainly in London, England. Numerous attempts were made to secure a database to which direct letters and questionnaires could be sent, but because of the Data Protection Act (1998:1) that prohibits the acquiring of personal information, it was to no avail. The only way of reaching these expatriates was by informing them of the questionnaire in newsletters through the different role players. It is estimated that a total number of close to 150 000 individuals from 10 databases were requested to complete a questionnaire which was linked to the communication by way of a link in the newsletters.

The use of both stratified and snowball sampling resulted in a convenience sample of 163 ex-South Africans now living and working mainly in London, England. This data should be considered as generated from a small number of respondents for which statistical inference and p-values are not relevant (Ellis & Steyn, 2003:51).

4.7.6 Statistical analysis

The Statistical Package for the Social Sciences Incorporated (SPSS Inc) version 16 of 2008 was used to analyse the collected data. Descriptive statistics (means and standard deviations) were used to analyse the data.

T-tests were used to determine mean differences between the two groupings, namely the “most likely” candidates to engage in entrepreneurial activity, and the rest for the variables “An international network of South African entrepreneurs could have benefits for me personally” as well as “An international network of South African entrepreneurs could have benefits for my family, relatives, friends or former colleagues”. The tests were also carried out to determine the mean difference between the two groups and the importance of specified benefits that a network of South African expatriates could hold for the respondents.

Cross-tabulation for different variables was calculated to determine significance and means as well as standard deviations were calculated to determine the priority of respondents’ perceptions.

4.8 RESULTS

4.8.1 “Most likely” candidates to engage in entrepreneurial activity

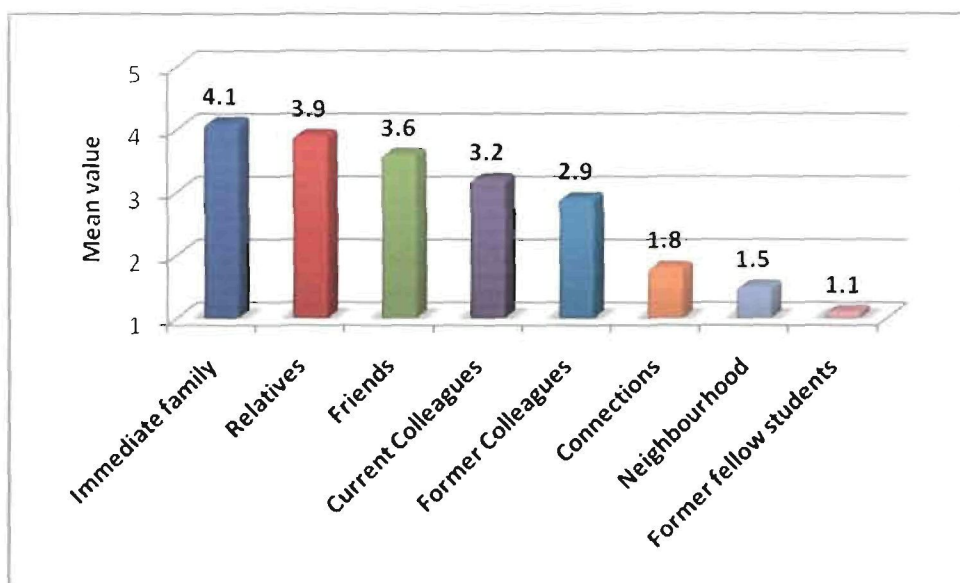
Individuals that rated themselves high on their entrepreneurial ability, their entrepreneurial networks and their recognition of opportunities are more likely to engage in entrepreneurial activity (Foxcroft *et al.*, 2002:21-27). In total, 118 respondents were classified as “most likely” candidates to engage in entrepreneurial activity. The relationship between these two groups and particular elements of networking was investigated to determine the likelihood of these individuals making use of an entrepreneurial network.

4.8.2 Descriptive statistics

Descriptive statistics are used to describe the basic features of the data in a study and they provide basic summaries about the sample and the measures to understand them better. Respondents were asked to indicate the frequency and mode of contact that they use to communicate with people in South Africa.

Graph 4.2 shows the frequency of contact between the respondent and people in South Africa.

Graph 4.2: Frequency of contact with people of South Africa



Source: Response to Question 29 (Appendix 1)

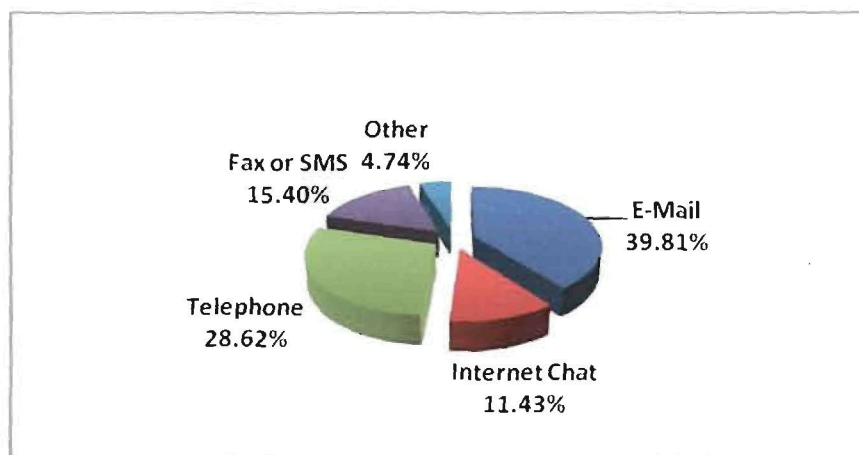
Table 4.1: Frequency of contact

| Mean value | Frequency of contact |
|------------|----------------------|
| 5 | Daily |
| 4 | Weekly |
| 3 | Monthly |
| 2 | Less than monthly |
| 1 | Never |

From Table 4.1, it is apparent that closeness of family links plays an important role in the frequency of contact.

Graph 4.3 gives an indication of the mode of communication that is mostly used by the respondents to make contact with the people indicated in Graph 4.2.

Graph 4.3: Mode of communication



Source: Response to Question 30 (Appendix 1)

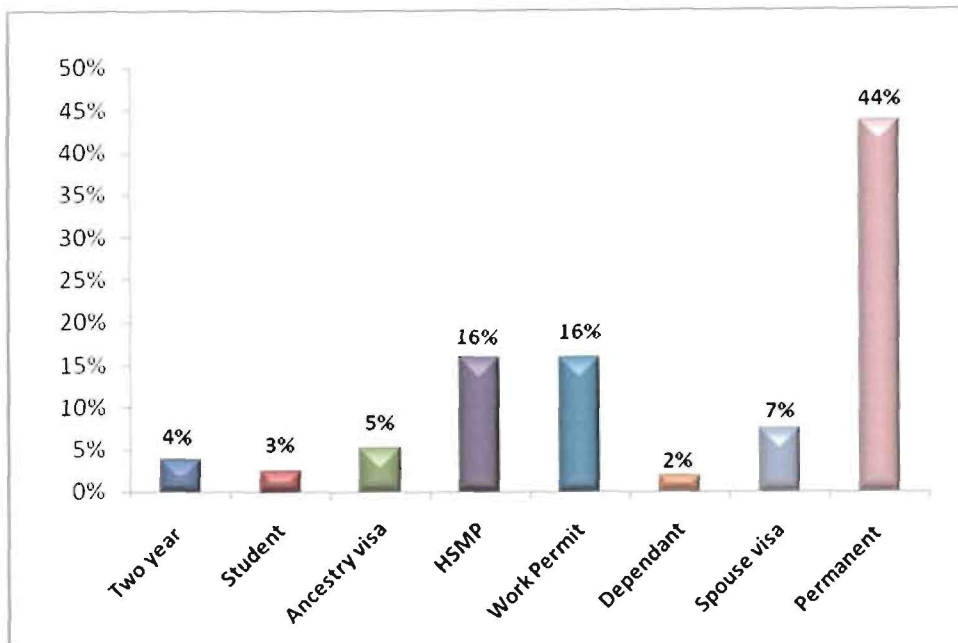
E-mails (39,81%), telephone (28,62%) and Internet chat (11,43%) are the most common modes of communication between the respondents and people in South Africa.

From a network point of view, the type of visa, or the permanency of its international expatriate membership, can play an important role in the effectiveness of the network with reference to value exchange. Globalscot, recognized as one of the most successful business networks in the world, initially set out to establish a global network of high-profile expatriates (Kuznetsov & Sabel, 2006:7). It was through expatriates' contacts, relationships, knowledge and expertise built up over years, that Globalscot was able to benefit and create value, not only for its members, but also for Scotland in general.

Table 4.3 shows that the largest segment of the respondents is ex-South Africans who obtained permanent residence in the United Kingdom (UK) and they totalling 44%. The second largest group represented in the sample were those with work

permits (16%) whilst those who obtained entry to the UK on a highly skilled migrant programme also totalled 16%.

Graph 4.4: Type of visa



Source: Response to Question 6 (Appendix 1)

Table 4.2 lists the main reasons why respondents make use of a network, whether it is a business network or a non business network.

Table 4.2 Main reasons why respondents make use of networks

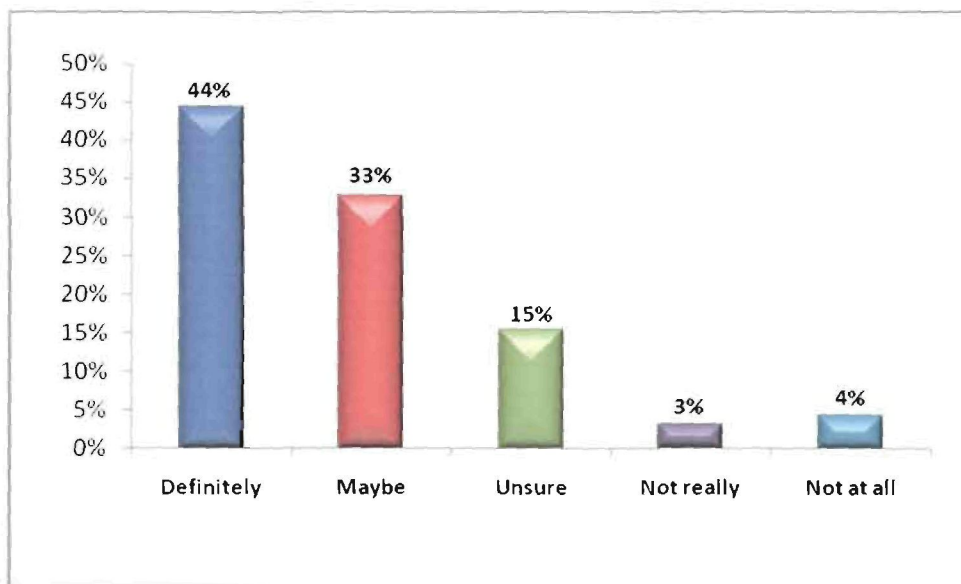
| Reason | Mean |
|--|------|
| To share experiences and exchange ideas | 3.47 |
| To obtain knowledge on opportunities and markets | 2.98 |
| To better my career prospects | 2.93 |
| To obtain access to new and additional technology | 2.75 |
| To obtain knowledge on new business processes | 2.69 |
| A method to communicate with potential interest groups | 2.69 |
| To obtain access to new or additional marketing channels | 2.69 |
| To make processes more efficient | 2.68 |
| To extend my value chain | 2.66 |
| To form strategic alliances | 2.62 |

| | |
|---|------|
| To obtain access to new or additional distribution channels | 2.52 |
| To launch a new product | 2.33 |
| To establish or reinforce a brand name | 2.28 |
| To obtain access to specialised skilled labour | 2.06 |
| A means of acquiring additional productive assets | 1.98 |
| A method to gain access to existing employees | 1.95 |
| To acquire capital or additional financial resources | 1.77 |

Source: Response to Question 32 (Appendix 1)

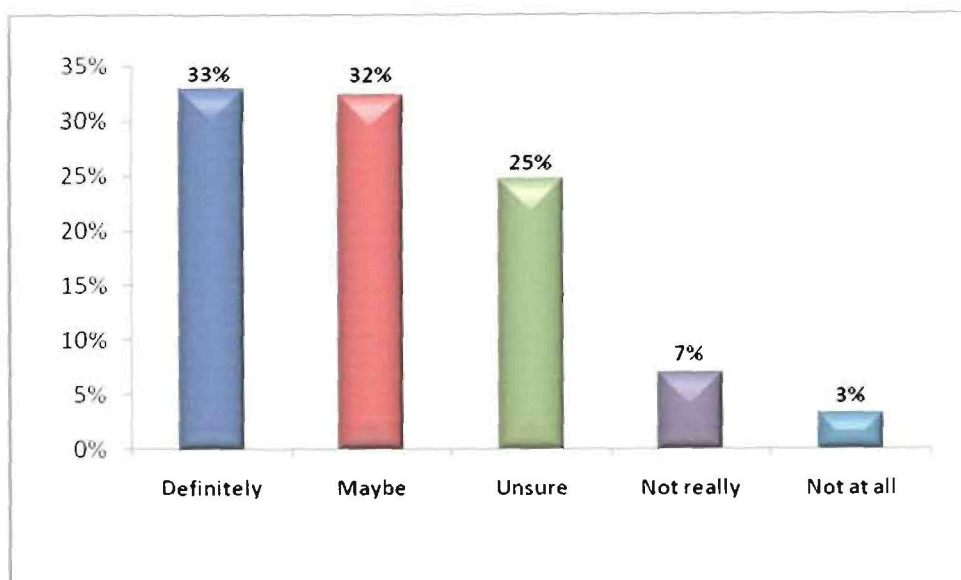
Graph 4.5 displays the respondents' answers on whether a network of South African expatriate-entrepreneurs could hold benefits for them personally and Graph 4.5 displays their answers on whether the network could hold benefits for their family, relatives, friends or former colleagues.

Graph 4.5: Network of South African expatriate-entrepreneurs could have benefits for the respondent personally



Source: Response to Question 34 (Appendix 1)

Graph 4.6: Network of South African expatriate-entrepreneurs could have benefits for the respondent’s family, relatives, friends or former colleagues



Source: Response to Question 34 (Appendix 1)

It is clear that the respondents foresee benefits not only for themselves but also for the families, relatives, friends or former colleagues in South Africa. T-tests were carried out to determine whether there are significant differences between the means of the groups, “most likely candidates to engage in entrepreneurial activity” (n=118) and the rest (n=44).

Table 4.3: Benefits of international network of South African entrepreneurs

| Benefits | “Most likely” candidates | | | The rest | | | Effect size |
|----------------------------|--------------------------|------|--------------------|----------|------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Personally | 118 | 4.19 | 1.032 | 44 | 3.84 | 1.077 | 0.33 |
| Family, relatives, friends | 118 | 3.94 | 1.058 | 44 | 3.61 | 1.032 | 0.31 |

❖ Cases with missing values were deleted

From the above it is clear that respondents from both groupings are of the opinion that an international network of South African entrepreneurs would be more beneficial for them personally than for their family, relatives and friends. The “most likely” candidates are also more positive than the rest for both the personal benefits

and for the family, relatives and friends in South Africa. The effect sizes on both counts indicate a medium effect.

An analysis was done to determine the importance of the benefits of a network based on the mean values of each benefit. To distinguish between respondents that belong to an existing business network, the same ranking was also done on these means.

Table 4.4 displays the ranking of the mean values regarding the importance of the different benefits that a network of South African entrepreneurs could hold for the respondents.

Table 4.4: Mean values of benefits that a network of expatriate-entrepreneurs can hold

| Benefits | Total group N=160 | Not belonging to business network N= 77 | Belonging to business network N=83 |
|---|----------------------|--|---|
| New business opportunities | 4.29 | 4.23 | 4.34 |
| New markets | 4.23 | 4.13 | 4.33 |
| Accessibility of new knowledge and expertise | 4.19 | 4.21 | 4.17 |
| Investment opportunities | 4.16 | 4.16 | 4.17 |
| Chance to bring more change to family, relatives, friends back home | 3.98 | 4.00 | 3.96 |

❖ Cases with missing values were deleted.

Even though it is marginal, it does seem as if belonging to an existing business network makes the respondent more positive on the benefits.

The importance of the benefits of a network was also subjected to t-tests that were carried out to determine whether there are significant differences between the means of the groups, “most likely candidates to engage in entrepreneurial activity” and “the rest”. Effect sizes were also calculated. Table 4.5 displays these calculations.

Table 4.5: Importance of benefits of a network of South African expatriate entrepreneurs

| Benefits | "Most likely" candidates | | | The rest | | | Effect size |
|---|--------------------------|------|--------------------|----------|------|--------------------|-------------|
| | N | Mean | Standard Deviation | N | Mean | Standard Deviation | |
| Accessibility of new knowledge and expertise | 116 | 4.28 | 0.900 | 44 | 3.95 | 1.011 | 0.32 |
| New business opportunities | 116 | 4.40 | 0.843 | 44 | 4.00 | 0.915 | 0.43 |
| New markets | 116 | 4.34 | 0.874 | 44 | 3.95 | 2.022 | 0.38 |
| Investment opportunities | 116 | 4.30 | 0.878 | 44 | 3.82 | 1.147 | 0.42 |
| Chance to bring change to family, relatives and friends in South Africa | 115 | 4.03 | 1.099 | 44 | 3.86 | 1.153 | 0.14 |

❖ Cases with missing values were deleted.

Even though the effect sizes indicate only medium effects, it is apparent that the "most likely" group is more positive than the rest of the respondents regarding the importance of the benefits of a network of South African expatriate-entrepreneurs.

4.9 DISCUSSION

Ever since the first Diaspora Knowledge Network (DKN) originated in the 1990s in Colombia, attempts have been made to set up networks with the aim of mobilising, gathering and reconnecting expatriates with their home countries. The network sees the brain drain not as a loss, but a potential gain to the country of origin. Highly skilled expatriates are seen as a pool of potentially useful human resources for the country of origin; the challenge is to mobilise these brains.

Previous studies has shown that the potential for value exchange lies in the capacity of expatriate-entrepreneurs to mobilise not only the knowledge and skills available to them but also other resources like capital, opportunities and other networks (Kuznetsov & Sabel, 2006:7-9; Lowell & Gerova, 2004:4; MacRae & Wight, 2006:209; Meyer, 2007:7; Raihan, 2002:4).

Among the thousands of South African expatriates staying and working abroad are many entrepreneurs and potential entrepreneurs. South Africa's economy and its entrepreneurial sector in particular, need this "lost" brain power to stimulate and sustain higher levels of entrepreneurial growth. This study aimed to establish the perception of the respondents on entrepreneurial networks as a vehicle to create value exchange between South Africa and the expatriate entrepreneurial community staying and working in London in the UK.

This study has shown that there are already many existing social networks between the respondents and their families, relatives and friends and even between current colleagues and former colleagues in South Africa. Communications with these networks are frequent and the mode of contact is mostly through the Internet, especially e-mails and Internet chat. The telephone is also used frequently.

There are also a number of the respondents that make use of business networks in South Africa, the UK as well as in areas outside South Africa and the UK, albeit not as popular as the non business networks. Most of the respondents (77%) feel that a network of South African expatriate-entrepreneurs can have benefits for them personally, whilst 65% are of the opinion that such a network could have benefits for their families, relatives and friends or former colleagues in South Africa. If there is one argument why further study on this subject should be pursued, it is this positive attitude regarding networks and the value it could add to both the expatriate and social and business networks in South Africa.

The situation is even more positive if the value of an international network of South African entrepreneurs is viewed from the perspective of those respondents who are most likely to engage in entrepreneurial activity. The benefits from such a network would not only include the accessibility of new knowledge and expertise for members of the network as well as the South African business community, but new business opportunities for all would come to the fore.

This study has proved that the involvement in an entrepreneurial network could add value to all – South Africa as a country, as well as the expatriate-entrepreneurs staying and working abroad.

4.10 RECOMMENDATIONS

It is in the interest of South Africa to stimulate entrepreneurship and to ensure that a strong and vibrant small and medium-sized business sector exists, especially as far as opportunity entrepreneurs are concerned. New start-ups in every form should be encouraged and stimulated, even among expatriates living abroad. It is recommended that the government and private sector should look at every avenue to involve the expatriate community in entrepreneurship development in South Africa. Some of the initiatives that could be researched more in detail are:

- The investigation of a database of expatriate-entrepreneurs and potential entrepreneurs, that would be interested to become involved in entrepreneurial activities in South Africa, even when staying abroad. This database can be used for further research in this field.
- Government should also investigate the possibility of introducing incentives and grants in exchange for business know-how and opportunities, especially where expatriates are involved. The expatriate entrepreneurs' contribution in mobilising knowledge and skills as well as other resources, like capital and opportunities, should be recognised and remunerated. Through the Department of Trade and Industry (DTI), a similar incentive scheme to the Export Marketing and Investment Scheme (EMIA) can be introduced for expatriates wanting to be involved with South Africa's entrepreneurial endeavours.
- The private sector should also become involved with the process of value exchange. An entrepreneurial network for South African expatriates should be a-political and therefore a private sector initiative. The viability of this network should be investigated and when introduced, it should be run independent from any political intervention. An infrastructure should be developed to build an international network of expatriates, to mobilise members and to maximise opportunities for network relationships, knowledge and expertise.

4.11 SUMMARY

South Africa has lost many entrepreneurs and potential entrepreneurs over a sustained period and it might remain like this for time to come. Even if the situation in South Africa, or even abroad for that matter, would change drastically, many entrepreneurs would still elect not to return to South Africa. This should not necessarily be seen in a negative context. Expatriates can still add value to their country of birth by ploughing back intellectual capital through social and entrepreneurial networks. They can also open up international markets through these networks and technological and monetary investments.

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CHAPTER 5

CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In this chapter, conclusions are drawn regarding the specific objectives of this study. The limitations of the research are discussed, followed by recommendations regarding future research. The main goal of this study was to provide an entrepreneurial framework within which South African expatriates could maintain links with their country of birth and to enhance their past and existing connectedness for the mutual benefit of both the expatriate and South Africa. The research objectives of this study were:

- To establish from the potential expatriate-entrepreneurs the reasons for leaving South Africa;
- To determine whether the entrepreneurial climate in South Africa is conducive to lure potential expatriate-entrepreneurs into business ventures, even whilst staying abroad; and
- To provide a framework for involvement and value exchange between South Africa and former inhabitants of the country, living and working as expatriate-entrepreneurs abroad.

5.2 CONCLUSIONS

This study researched the reasons why potential expatriate-entrepreneurs, now staying and working in London in the UK, had left South Africa. It also researched the entrepreneurial climate in South Africa and whether the current climate will attract potential expatriate-entrepreneurs to become involved in entrepreneurial activity in South Africa. In the last instance, research was done on existing networks

and whether expatriate-entrepreneurs' involvement could lead to value exchange for role players such as the South African expatriates and their family, relatives and friends staying in South Africa.

5.2.1 Reasons for leaving South Africa

Prior to 1994, emigration from South Africa had been politicised and many refugees left the country because of the "apartheid era" policies. Since 1994, politics in a different form are being held responsible. Some of the reasons leading to highly skilled South Africans leaving their country of birth might include crime, BBBEE, politics, HIV/AIDS and a lack of job opportunities. South Africa's brain drain can be attributed to a mixture of "pull" and "push" factors, whether it is better working conditions in other countries or dissatisfaction with circumstances in the home country, like the decay in the delivery of government services.

High salary remuneration offered by businesses in especially North America, Australia and Europe and more entrepreneurial opportunities could be seen as a major "pull" factor for skilled South Africans. Among the "push" factors, for both white and black skilled professionals, are crime and violence, the cost of living and the safety and security of expatriates' families.

In the empirical research of this study, the respondents were asked to identify the reasons why highly skilled potential entrepreneurs leave South Africa. Four factors were constructed which best described their reasons for leaving South Africa to stay and work in London in the United Kingdom. These four constructs show similarity to other factors for emigration previously extracted in other studies, and these were:

- *Political climate*, comprising of the following seven items: "political in general" "crime and violence", "personal safety and family security", "Broad-Based Black Economic Empowerment", "affirmative action", "racism" and "standards of education". These items depict the political situation in South Africa and this is seen as one of the main reasons why highly skilled South Africans decide to leave the country.

- *Economics*, which includes the following four items: “variety of career choices”, “opportunity to gain work experience”, “economical in general” and “lack of good working conditions”. These items can be considered as pull factors.
- *Lifestyle*, which is made up of the items “social in general”, “lifestyle” and “cost of living”.
- *Entrepreneurial opportunity*, which includes the items “entrepreneurial climate”, “lack of entrepreneurial opportunities”, “lack of an ethnic dream” and “levels of taxation”.

The expatriates that took part in this research also compared their present circumstances with those they had in South Africa. New factors were extracted on the same basis as those used to identify the reasons for leaving South Africa, and five factors were constructed. These constructs show similarity with the four constructs that indicate their reasons for leaving:

- *Economic wellness*, which includes “opportunity to gain work experience”, “variety of career choices”, “affirmative action”, “Broad-Based Black Economic Empowerment” and “economical in general”.
- *Effective government* comprises the items “crime and violence”, “personal safety and family security”, “standards of education”, “racism” and “political in general”.
- *Entrepreneurial opportunities* include two items: “ample entrepreneurial opportunities” and “the entrepreneurial climate”.
- *Lifestyle* is made up of four items, namely, “lifestyle”, “social in general”, “lack of good working conditions” and “lack of an ethnic dream”.
- *Cost of living* includes the items “cost of living” and “levels of taxation”.

This analysis was a second method to establish the real reasons why the respondents left South Africa and the pattern remained the same. It is clear that the political scenario, which encompasses aspects such as crime and violence, personal safety and family security, affirmative action and the standards of education, played an overwhelmingly important role in the decision of the potential entrepreneurs to

leave their country of birth. *Political climate* as reason to leave the country, as well as *effective government*, when comparing their present circumstances with those they had in South Africa, measured high in both analyses.

Asked about the motives for returning, if they intend to return, it is clear that being too far from family and friends as well as the weather in London, play a vital role in considering returning to South Africa. Significantly, many respondents who indicated that they are considering returning to South Africa, have a new opportunity waiting in South Africa.

In conclusion, as far as the reasons for leaving South Africa is concerned, it is clear that political and economical factors still play a major role in expatriate-entrepreneurs' decisions to leave the country. However, *entrepreneurial opportunities* as reason for leaving is a factor that should not be disregarded when trying to involve expatriate-entrepreneurs in the entrepreneurial future of South Africa.

5.2.2 The entrepreneurial climate in South Africa

In 2006, South Africa was ranked 30th out of 42 countries as far as entrepreneurial activity is concerned, with just 5,29% of its population involved in Total Early-stage Entrepreneurship (TEA) activities. By contrast, top performer Peru scored a 40,15% in respect of their TEA.

If South Africa wants to sustain economic growth rates, entrepreneurial activities within the country will have to improve. If not, the danger exists that the dependency on existing businesses will become too much of a burden which might lead to stagnation of the economy. Entrepreneurial ventures, as major force in the South African economy, have the potential to involve many of the thousands of the highly skilled workers who left the country. New start-ups in every form should therefore be encouraged and stimulated, even among expatriates living abroad.

Before potential expatriate-entrepreneurs can be involved with entrepreneurial projects or lured back to South Africa as entrepreneurs, the entrepreneurial climate within the country, from an expatriate's point of view, needed to be researched.

Respondents in this study had to answer a number of questions that would indicate whether they thought that the entrepreneurial climate in South Africa is conducive for the involvement of expatriate-entrepreneurs. The fact that a large number of the respondents were unsure about many of the questions could be a direct result of being out of the country for a long period of time. These questions should rather be evaluated against the willingness of a large portion of the sample to return to South Africa permanently (55,8% of total number of respondents) and the extent to which they still want to be involved with entrepreneurial opportunities in South Africa even whilst still abroad (59,8% of total number of respondents that are willing and 18,2% that said "maybe"). If South Africa was, in their opinion, not conducive for involvement, these ratios would have been smaller.

An analysis was done in this study to construct new factors that measured the self-perception of competencies needed to be an entrepreneur. This was done to determine to what level the respondents complied with the competencies of an entrepreneur. Five constructs were constructed and labelled as:

- *Opportunity maker*, comprising the items, "ability to see opportunities in marketplace", "being persuasive", "honesty", "self-confidence and optimism" and "people judgement". It is not only important for entrepreneurs to see an opportunity, but they should also be persuasive and honest enough to convince other people, with confidence, about the opportunity.
- *Success driver*, which included three items, namely, "self-discipline", "ability to take responsibility" and "perseverance". All three these traits are needed to make a success of an entrepreneurial endeavour.
- *Self-manager* refers to the items "ability to adapt to changes", "self-awareness of strengths and weaknesses" and "patience". Entrepreneurs need to adapt constantly to new situations and they need to know exactly what their strengths and weaknesses are, so that they can conform to the changes with

ease. However, they should be patient and not make hasty and wrong decisions in these situations.

- *Change agent* which comprises the following three items: “ability to manage ambiguity or uncertainty”, “problem solving skills” and “support needs” – the degree a person needs someone to assist versus coping by oneself. Entrepreneurs thrive on ambiguity and uncertainty and should have the necessary skills to solve problems stemming from the uncertainty.
- *Self-starter* refers to the items, “level of creativity and innovativeness”, “energy levels”, “level of commitment to success of own business” and “ability to self-start a project”. Starting and managing an own business require special qualities and potential entrepreneurs should have the confidence that they do in fact possess these attributes to make a success of the entrepreneurial endeavour.

This study also distinguished between those entrepreneurs that were “most likely” going to engage in entrepreneurial activities and “the rest” of the respondents. Even though the level of education was not taken into consideration at this point, only because this group could be classified as highly skilled according to their qualifications, the likelihood of respondents starting their own businesses were based on the following criteria:

- the means of the respondents’ perception of their entrepreneurial ability;
- their entrepreneurial networks; and
- the recognition of opportunities.

It was established that the “most likely” group differs from the rest of the study sample, especially regarding the question whether they would like to become self-employed in South Africa, if granted the opportunity. A total of 70,3% of the “most likely” group indicated that they would like to become self-employed in South Africa if granted the opportunity, compared to only 38,3% of the rest of the respondents. This statistic is indicative of the situation at hand, namely that expatriate-entrepreneurs would be willing to be involved with South Africa if the entrepreneurial opportunity arises.

In conclusion, and taking into consideration the profile of the respondents, who are all presumed to be entrepreneurs or potential entrepreneurs as well as the needs of the entrepreneurial sector in South Africa, it is arguably a good match. South Africa needs entrepreneurs with the qualities, drive and self-efficacy that these respondents possess. The entrepreneurs that took part in this research are looking for entrepreneurial opportunities and the majority has indicated that they want to return to their country of origin. This in itself makes South Africa conducive for involvement by expatriate-entrepreneurs.

5.2.3 A framework for involvement and value exchange

One of the effects of migration is the fact that a country spends vast amounts of money in the education and acquiring of skills of its inhabitants. When a person decides to leave the country of birth, this “investment” is regarded to be wasted. However, if links with the expatriate could be maintained in one way or the other, the initial investment could still provide a return to the country of origin.

Expatriates can become involved with South Africa in several ways:

- The transmission of direct or collective monetary remittances to their families, community groups or to specific projects in South Africa is a direct (and an important) contribution expatriates can make.
- Expatriates could also contribute to the economic development in the form of tourism, transportation, telecommunications and trade. Regular contact with family, friends and business contacts could play a major role in South Africa’s telecommunication network, whilst they can also attract and promote exports by creating a demand for certain products or services.
- Transnational social networks are often seen as the most powerful mechanism of expatriates and, as such, shape their ability to transfer knowledge and business opportunities.
- Expatriates can also provide in the supply of critical skills in South Africa, whether it is in the field of political leadership, in the filling of public sector positions, or in the filling of private sector positions.

Returning to South Africa is therefore not the only way that the expatriate can become involved with their country of birth. Newly acquired knowledge and skills to be shared with fellow-entrepreneurs, new markets ventured into abroad, money earned abroad and invested in South Africa and contributing to a network of new business opportunities for other South Africans, are all avenues that present entrepreneurial opportunities for South Africans working and living abroad.

A framework of possible ways of involvement of expatriate-entrepreneurs in South Africa would be beneficial, not only for the expatriates themselves, but also for the entrepreneurs in South Africa who want to deal with foreign countries. The potential for value exchange lies in the capacity of expatriate-entrepreneurs to mobilise not only the knowledge and skills available to them, but also other resources like capital, opportunities and other networks.

New frameworks for value exchange must take note of the lessons learnt from a successful network like Globalscot. The important criteria for the establishment of a network for expatriate-entrepreneurs are:

- The first phase in establishing a value network would be to describe where the value lies in a network. Network focal is the organisation, business or individual whose business model relies on the network in question. The roles of each player in the network should be clearly defined as well as the resources, key strengths and capabilities of the network focal.
- The next phase in establishing a value network would be to identify, nominate and invite a target membership. An entrepreneurial network for South African expatriates could be a virtual network such as for industrial clubs, knowledge networks or information networks.
- An entrepreneurial network for South African expatriates should have a support function as far as web development and the registration and recognition of members are concerned.
- Matching could be the entrepreneurial network for South African expatriates' biggest asset. A website could match South African entrepreneurs with South

African expatriates where both parties are willing to explore business opportunities.

- A South African entrepreneurial network wanting to involve South African expatriate-entrepreneurs on a global basis should ensure sustained involvement and the only way would be by a value-add approach for all the participants.

Among the thousands of South African expatriates staying and working abroad are many entrepreneurs and potential entrepreneurs. South Africa's economy and its entrepreneurial sector in particular, need this "lost" brain power to stimulate and sustain higher levels of entrepreneurial growth. The perception of the respondents on entrepreneurial networks as a vehicle to create value exchange between South Africa and the expatriate entrepreneurial community staying and working in London in the UK, is an important cornerstone for future research and development in this regard.

In this study, most of the respondents (77%) have indicated that a network of South African expatriate-entrepreneurs could definitely have benefits for them personally, whilst 65% are of the opinion that such a network could have benefits for their families, relatives and friends or former colleagues in South Africa. This is one instance where further study on this subject should be pursued. It is this positive attitude towards networks and the value it could add to both the expatriates and their social and business networks in South Africa that can make an entrepreneurial network a viable proposition. If viewed from the perspective of those respondents who are most likely to engage in entrepreneurial activity, the prospect of an international network of South African entrepreneurs becomes even more positive.

This study has proved that the involvement in an entrepreneurial network could add value to all – South Africa as a country, as well as the expatriate-entrepreneurs staying and working abroad.

5.3 LIMITATIONS

There were three limitations that had to be overcome.

1. The exclusion of a longitudinal design study to determine causal relationships between the variables was not part of this particular study and should be seen as a limitation. However, this study could serve as a pilot study for a longitudinal study.
2. The fact that the researcher was prohibited by the Data Protection Act (DPA) (1998) to have access to databases in the geographical area covered necessitated the additional use of snowball sampling. This limitation led to a relative small sample size of entrepreneurs and/or potential entrepreneurs. Stratification further complicated matters because only entrepreneurs and potential entrepreneurs were part of this study population.
3. Different sources on research methodology have indicated that an ideal sample size for random sampling would have been 218 respondents. This study was not considered as random sampling but rather as convenience sampling. In the process of the factor analyses, the Kaiser-Meyer-Olkin measure of sampling adequacy was calculated. In all instances, this value indicated that the factor analyses could be regarded as very reliable for this particular sample size. However, because this was a convenience sampling technique, this sample cannot be considered representative of the total expatriate population in the UK.

5.4 RECOMMENDATIONS

5.4.1 Recommendations to address the problem

5.4.1.1 Reasons for leaving South Africa

From this study, it is clear that the reasons why South Africans leave their country of birth should be addressed. It is also clear that the expatriates are prepared to return, or become involved in the South African economy, but that certain problem areas need to be addressed.

- One of the major reasons why highly skilled expatriates left South Africa and that are still an issue that keeps them from coming back, is the political climate in the country. The South African government will have to address crime and violence, personal safety as well as security, racism and standards of education, before the continuous brain drain will stop.
- Expatriates rate the economical conditions in South Africa as below standard and the economic wellness in their present circumstances are much better than in South Africa. The challenge to the government is to address issues that warranted affirmative action and BBBEE, but at the same time to make it attractive for the entrepreneurs to return.
- The entrepreneurial climate in South Africa, which encompasses aspects such as a lack of ample entrepreneurial opportunities and levels of taxation, are being cited as reasons why entrepreneurs or potential entrepreneurs leave the country. There needs to be a concerted effort from the national government as well as the business sector to identify and promote these opportunities abroad.
- The national government as well as the business sector could expand on a national, but coordinated drive to involve South African expatriates in entrepreneurial activities in their country of birth. Expatriates could be incentivised to re-invest their acquired know-how and skills in South Africa. This can be done through grants and tax benefits for the returning entrepreneurs who start new businesses.

5.4.1.2 Improving the entrepreneurial climate to involve expatriate entrepreneurs

To instil a positive climate for entrepreneurship in South Africa is not only the task of one entity. It is recommended that educators, financiers, the private sector, government or everyone involved in the field of entrepreneurship, be actively involved in identifying, starting up and developing entrepreneurs. The national government should be the driving force of this process.

It is recommended that the methodology used in this study to identify the most likely candidates to engage in entrepreneurial activity, is expanded so that it could be of value to especially financial institutions and/or other entities, like business brokers and franchisors, who want to select or screen prospective clients.

The attractiveness of South Africa as a destination for potential expatriate-entrepreneurs will improve if government would address aspects such as access to cheaper and different funding models, more affordable access to venture capital, government policies that include incentives for new businesses as well as export development and special recognition for the role that expatriates could play in developing an entrepreneurial climate.

5.4.1.3 A framework for involvement and value exchange

Expatriates can still add value to their country of birth by ploughing back intellectual capital through social and entrepreneurial networks. They can also open up international markets through these networks and technological and monetary investments.

It is in the interest of South Africa to encourage the formation of new start-ups, even among expatriates living abroad. It is recommended that the government and private sector should look at every avenue to involve the expatriate community in entrepreneurship development in South Africa and the vehicle that is ideally suited for this is an entrepreneurial network for expatriates.

5.4.1 Recommendations for further research

The following five recommendations are made for further research:

1. The methodology used in this study to identify the most likely candidates to engage in entrepreneurial activity, should be refined in further studies. This method entailed identifying those individuals with formal education and exposure to family members and friends with entrepreneurial experience, who believe that they have the necessary skills, those who recognised good business opportunities and who personally know an entrepreneur or have entrepreneurs in their social or business networks.
2. The investigation of a database of expatriate-entrepreneurs and potential entrepreneurs that would be interested in becoming involved in entrepreneurial activities in South Africa, even when staying abroad. This database can be used for further research in this field.
3. The possibility of introducing incentives and grants in exchange for business know-how and opportunities, especially where expatriates are involved, should also be researched. Through the Department of Trade and Industry (DTI) a similar incentive scheme to the Export Marketing and Investment Scheme (EMIA) can be introduced for expatriates wanting to be involved with South Africa's entrepreneurial endeavours.
4. The viability of an entrepreneurial network should be investigated and when introduced, it should be run independent from any political intervention.
5. It is also recommended that further research be undertaken to expand the five constructs relating to self-perception of entrepreneurial ability that was extracted in the factor analysis, namely *opportunity maker*, *success driver*, *self-manager*, *change agent* and *self-starter*. These concepts could enhance the process of identifying the potential entrepreneurs.

5.5 SUMMARY

The main goal of this study was to provide an entrepreneurial framework within which South African expatriates, whether they return to South Africa or not, could maintain links with their country of birth and to enhance their past and existing connectedness for the mutual benefit of both the expatriate and South Africa. This framework will only be successful if it involves role-players who have the intention to add value!

APPENDIX 1: QUESTIONNAIRE

RESEARCH QUESTIONNAIRE

(Kindly forward this website to other Expatriates in your personal network who are staying and working in Britain.)

STRICTLY CONFIDENTIAL

This survey investigates **South African expatriates as potential entrepreneurs**. Please follow the instructions at the beginning of each section. **For statistical purposes, it is important that you complete all the questions.**

GUIDELINES FOR ANSWERING THE QUESTIONNAIRE:

- **Please answer all the questions just by clicking the mouse**
- *All questions: Indicate only one option unless otherwise specified*

SECTION 1: BIOGRAPHICAL INFORMATION

1 Complete the following (Optional):

| | |
|----------|--|
| Name | |
| Company | |
| E-mail | |
| Location | |

2 Indicate your gender

| | |
|--------|--|
| Female | |
| Male | |

3 Indicate your age group

| | |
|--------------|--|
| Under 30 | |
| 30 - 39 | |
| 40 - 49 | |
| 50 - 59 | |
| 60 and older | |

4 Indicate your ethnic background

| | |
|----------|--|
| Black | |
| Coloured | |
| White | |
| Indian | |
| Other | |

5 Identify your highest level of formal education

| | |
|----------------------------|--|
| Up to Grade 11 | |
| Grade 12 or equivalent | |
| Diploma / Certificate | |
| Bachelors degree | |
| Postgraduate qualification | |

6 Please specify your type of visa

| | |
|------------------------------------|--|
| Two-year working Holiday Visa | |
| Student Visa | |
| TWES Permit | |
| Ancestry Visa | |
| EEA Family Permit | |
| Highly Skilled Migrant Programme | |
| Innovators | |
| Investors | |
| Work Permit | |
| Dependant of Permanent Visa Holder | |
| Spouse Visa | |
| Unmarried Partner | |
| Permanent Residence | |
| Other (Please Specify) | |
| | |
| | |

7 Indicate the years of residence in the UK

| | |
|------------------|--|
| Less than 1 year | |
| 1 - 5 years | |
| 6 - 10 years | |
| 11 - 15 years | |
| 16 - 20 years | |
| 21 or more years | |

8 Indicate total years of working experience irrespective of locality

| | |
|------------------|--|
| Less than 1 year | |
| 1 - 5 years | |
| 6 - 10 years | |
| 11 - 15 years | |
| 16 - 20 years | |
| 21 or more years | |

9 Indicate the primary industry that the business you are presently involved with, forms part of

| | |
|-----------------------------|--|
| Manufacturing | |
| Wholesale | |
| Retail | |
| Financial | |
| Insurance | |
| Real Estate | |
| Medical | |
| Legal | |
| Information technology (IT) | |
| Other (Please specify) | |

10 Indicate the legal status (form of business) of the business you are presently involved with

| | |
|---------------------|--|
| Sole proprietorship | |
| Partnership | |
| Close Corporation | |
| Private Company | |
| Public Company | |
| Business Trust | |
| Co-operative | |

11 Indicate the number of permanent employees in the business you are presently involved with (including yourself)

| | |
|----------|--|
| 1 – 4 | |
| 5 – 50 | |
| 51 – 200 | |
| > 200 | |

SECTION 2: QUESTIONS RELATING TO YOUR MIGRATION

FACTORS that might have led to migration are **Political factors** (such as Black Economic Empowerment (BEE), job reservation and affirmative action), **Economical factors** (such as lucrative salaries offered abroad, level of taxation and cost of living) and **Social factors** (such as crime and violence, standards of education and the quality of medical services).

12 For how long did you consider emigration before you actually left South Africa?

| | |
|-------------------------------|--|
| Less than six months | |
| Between six months and a year | |
| Between one and two years | |
| Longer than two years | |

13 To what degree did the following factors in South Africa impact your decision to leave? (1=Very low degree, 2=Low degree, 3=Medium degree, 4=High degree and 5= Very high degree)

(Please rate the headings as well)

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Political (in general): | | | | | |
| Affirmative action | | | | | |
| Levels of taxation | | | | | |
| The lack of an ethnic dream | | | | | |
| The entrepreneurial climate | | | | | |
| Black Economic Empowerment | | | | | |
| Economical (in general): | | | | | |
| Lack of good working conditions | | | | | |
| Variety of career choices | | | | | |
| Opportunities to gain work experience | | | | | |
| Cost of living | | | | | |
| Ample entrepreneurial opportunities | | | | | |
| Social (in general): | | | | | |
| Lifestyle | | | | | |
| Crime and violence | | | | | |
| Racism | | | | | |
| Standards of education | | | | | |
| Personal safety and family security | | | | | |
| Any other factors not listed above (Please specify) | | | | | |
| | | | | | |
| | | | | | |

- 14 How does your **present circumstances**, in respect of the following factors, compare with those you had in South Africa: (1=**Much worse now than in South Africa**, 2=**Worse now**, 3=**The same as in South Africa**, 4=**Better now than before**, 5=**Much better now than in South Africa**)

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Political (in general): | | | | | |
| Affirmative action | | | | | |
| Levels of taxation | | | | | |
| The lack of an ethnic dream | | | | | |
| The entrepreneurial climate | | | | | |
| Black Economic Empowerment | | | | | |
| Economical (in general): | | | | | |
| Lack of good working conditions | | | | | |
| Variety of career choices | | | | | |
| Opportunities to gain work experience | | | | | |
| Cost of living | | | | | |
| Ample entrepreneurial opportunities | | | | | |
| Social (in general): | | | | | |
| Lifestyle | | | | | |
| Crime and violence | | | | | |
| Racism | | | | | |
| Standards of education | | | | | |
| Personal safety and family security | | | | | |
| Any other factors not listed above (Please specify) | | | | | |
| | | | | | |
| | | | | | |

- 15 Just indicate **Yes** or **No** to the following questions:

| | Yes | No |
|--|-----|----|
| 1. I am/have considered venturing into a new business opportunity in South Africa | | |
| 2. I am/have considered venturing into a new business opportunity elsewhere than in South Africa | | |
| 3. I still own property in South Africa | | |
| 4. I have business interests in South Africa | | |
| 5. I have considered investing/increasing my investment in South Africa | | |
| 6. I have business interests with other South Africans or expats living elsewhere than in South Africa | | |
| 7. I am still an active member (i.e. paying membership fees) of my professional body in South Africa (such as the Medical Council) | | |
| 8. The opportunities to be self employed are better elsewhere than in South Africa | | |
| 9. I am considering returning to South Africa permanently | | |

- 16 If you indicated that you are considering returning to South Africa permanently (question 15.9 above), please rate the degree that the following reasons plays a role in your decision (1=Very low degree, 2=Low degree, 3=To a medium degree, 4=High degree and 5= Very high degree)

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| The weather is unsuitable | | | | | |
| The weather does not suit my family | | | | | |
| Missing my family and relatives too much family and relatives | | | | | |
| New opportunity in South Africa | | | | | |
| Contract has expired | | | | | |
| Visa has expired | | | | | |
| Other reasons (Please specify) | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

SECTION 3: QUESTIONS RELATING TO ENTREPRENEURSHIP

POTENTIAL ENTREPRENEURS also include those professional people that are either self employed or could eventually work for themselves if they decide to pursue the same or a similar career. Everybody striving to be self-employed in whatever venture, is considered to be a potential entrepreneur.

- 17 How many people do you know personally who became self employed in the past two years whether in South Africa or elsewhere in the world?

| | In South Africa | Elsewhere in the world |
|--------------|-----------------|------------------------|
| None | | |
| 1-4 | | |
| 5-10 | | |
| More than 10 | | |

- 18 If you were granted the opportunity, would you consider becoming self-employed or, if already self-employed, would you consider owning another business?

| | Most Definitely | Yes | Maybe | No | Never |
|-----------------------|-----------------|-----|-------|----|-------|
| In South Africa | | | | | |
| Anywhere in the world | | | | | |

- 19 Please indicate to what extent would you still like to be involved with entrepreneurship-opportunities in South Africa – even whilst staying abroad?

| Most definitely | To a certain extent | Unsure | To a limited extent | Not at all |
|-----------------|---------------------|--------|---------------------|------------|
| | | | | |

- 20 Should you now decide to have a business of your own or own another business, would you:

| | |
|--|--|
| Start a new business from scratch | |
| Buy an existing business from someone else | |
| Not applicable (no intention to have a business of my own or another business) | |

21 Please rate the following:

(1 = Poor, 2= Not Good, 3 = neither good nor poor, 4= Good, 5= Very Good)

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| My knowledge as far as starting and managing an independently owned business | | | | | |
| My skills on starting and managing an independently owned business | | | | | |
| My experience as far as starting and managing an independently owned business | | | | | |
| The business climate in South Africa for independently owned businesses | | | | | |
| The opportunities for becoming self-employed in the area where I now live. | | | | | |
| My creativity /Idea generation/New product application | | | | | |
| My level of education for the successful starting and managing an independently owned business | | | | | |

22 Indicate whether any of the following South African Government support programmes are known to you:

| | Yes | No |
|--|-----|----|
| Skills Education Training Authorities (SETA's) | | |
| Competitiveness Fund | | |
| Industrial Development Corporation | | |
| Export Incentives | | |
| Manufacturing Advisory Centre | | |
| Ntsika | | |
| Khula | | |
| Brain | | |
| Umsobomvu | | |
| Others – please specify | | |
| | | |
| | | |

23 Indicate to what degree the following entrepreneurial conditions would increase the propensity of you returning to South Africa as an entrepreneur/self-employed business person (1=Very low degree, 2=Low degree, 3=Medium degree, 4=High degree and 5= Very high degree)

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| No intention of returning to South Africa at all. If this statement is true proceed immediately to Question 24. | | | | | |
| Access to cheaper and different funding models must be developed i.e. quasi-funding, grants. | | | | | |
| Corruption and nepotism must be ruled out by the politically powerful. | | | | | |
| Integrated support services such as training, research and consulting must be developed and implemented. | | | | | |
| Access to venture capital must be improved. | | | | | |
| Service delivery on various government levels must improve drastically. | | | | | |
| Policy conflicts should be highlighted and solved between | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| government departments | | | | | |
| Different support measurements should exist for the development of different entrepreneurial groups e.g. necessity and opportunity entrepreneurial groups. | | | | | |
| None of the above | | | | | |
| Others – please specify | | | | | |
| | | | | | |
| | | | | | |

- 24 Evaluate yourself in respect of the following competencies where 1 shows you are weak in the characteristic and 5 shows you are strong.
(1=Definite Weakness, 2=Moderate Weakness, 3=Neither strength nor weakness, 4=Moderate Strength, 5=Definite Strength)

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Your level of commitment to succeed in your Business | | | | | |
| Your level of creativity and Innovativeness | | | | | |
| Energy levels | | | | | |
| Support needs (Do you always need someone to assist you or can you do things independently) | | | | | |
| Ability to manage ambiguity/uncertainty | | | | | |
| Your perseverance | | | | | |
| Ability to take responsibility | | | | | |
| Problem solving skills | | | | | |
| You persuasiveness | | | | | |
| Self discipline | | | | | |
| Self confidence and optimism | | | | | |
| Ability to see opportunities in market place | | | | | |
| Honesty | | | | | |
| People judgement | | | | | |
| Patience | | | | | |
| Ability to adapt to changes | | | | | |
| Self awareness of own strengths and weaknesses | | | | | |
| Ability to "self-start" a project | | | | | |

SECTION 4: NETWORKING QUESTIONS

NETWORKING is the interaction between people, or groups of people, with a social or business intent.

25 Please indicate how often you have contact with the following people from South Africa

| | Daily | Weekly | Monthly | Less than Monthly | Never |
|--|-------|--------|---------|-------------------|-------|
| Immediate family (Parents/Brothers/Sisters/In-laws) | | | | | |
| Relatives (Nephew/Niece) | | | | | |
| Friends | | | | | |
| Colleagues with whom you're currently working | | | | | |
| Former colleagues at a previous job | | | | | |
| Connections made by means of professional associations or alumni | | | | | |
| Former colleagues at your current job | | | | | |
| Connections gained by means of involvement with community activities; | | | | | |
| People in your neighbourhood; | | | | | |
| Former fellow students at your school, college or university | | | | | |
| People you have met from social activities | | | | | |
| People sharing and belonging to the same religious affiliations | | | | | |
| Members belonging to the same clubs (be it sport or cultural) that you belong to | | | | | |

26 Which method do you **mostly** use to contact these people?

| E-mails | Internet Chat | Telephone | Other Fax/Sms | Other |
|---------|---------------|-----------|---------------|-------|
| | | | | |

27 Are you a member of any existing network (Business network where only business associates are involved and non-business network where contacts other than from your work environment are involved)

| | Business Network | | Non-Business Network | |
|---------------------------------|------------------|----|----------------------|----|
| | Yes | No | Yes | No |
| South Africa | | | | |
| In Britain | | | | |
| Outside Britain or South Africa | | | | |

28 The main reason why I make use of my network can be ascribed to the following: **(1=Never, 2= Occasionally, 3=Often, 4=Most of the time)**

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| To better my career prospects | | | | | |
| To acquire capital or additional financial resources | | | | | |
| A method to gain access to existing employees | | | | | |
| To form strategic alliances | | | | | |
| To share experiences and exchange ideas | | | | | |
| To obtain access to new or additional distribution channels | | | | | |
| To obtain access to new or additional technology | | | | | |
| To obtain access to new or additional marketing channels | | | | | |
| To obtain access to specialised skilled labour | | | | | |
| To obtain knowledge on new opportunities or markets | | | | | |
| To obtain knowledge on new business processes | | | | | |
| A means of acquiring additional productive assets | | | | | |
| A method to communicate with potential interest groups | | | | | |
| To extend my value chain | | | | | |
| To make business processes more efficient | | | | | |
| To establish/reinforce a brand name | | | | | |
| To launch a new product | | | | | |

29 Have you ever heard of the following networks?

| | Yes | No |
|-----------------|-----|----|
| Globalscot | | |
| Chileglobal | | |
| Red de Talentos | | |
| Bamboo Network | | |

30 To what extent do you think could an **international network of South African expatriate entrepreneurs** or potential entrepreneurs have benefits:

(1 = Definitely, 2= Maybe, 3 = Unsure, 4= Not really, 5= Not at

all)

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| For me personally | | | | | |
| For my family, relatives, friends or former colleagues | | | | | |

31 Rate the importance of the following benefits of a network of South African expatriate entrepreneurs or potential entrepreneurs:

(1=Very important, 2=Important, 3=Unsure, 4=Of lesser importance, 5=Not important at all)

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| Accessibility of new knowledge and expertise | | | | | |
| New Business opportunities | | | | | |
| New Markets | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| Investment opportunities | | | | | |
| The chance to bring about change/more opportunities to my family/relatives/friends/former colleagues in South Africa | | | | | |
| Please specify other benefits not listed above | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

32 Should you have any comment to add to this questionnaire please do so in the space provided below

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.....

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KINDLY THANKING YOU FOR YOUR CO-OPERATION AND TIME IN SHARING YOUR EXPERIENCE.

Could you please forward this website to other expatriates in your personal network who are staying and working in Britain?