



A CRITICAL ANALYSIS OF THE OUTCOMES
OF DIFFERENT FUNDING STREAMS IMPACT
ON JOB CREATION IN SMALL BUSINESSES IN
GAUTENG

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degree of Master of Business
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ABSTRACT

Purpose- It is well-known that **small businesses play a pivotal role in creating jobs** and this is especially true in the economy of South Africa today. Enough cannot be said concerning the high unemployment rate prevalent in the country which if the right interventions are not put in place, this negative trend will continue. This unfavourable situation inspired the researcher to begin to consider the critical factors that drive entrepreneurship globally and discovered that **funding** is a major factor to be considered for the sustainability of any business whether the business is large or small. This study investigates the impact, the following funding streams; personal funds, Venture capital, Government funding and Bank loans exert on job creation in small businesses in Gauteng.

Methodology- A mixed method approach was implemented with two interviews with experts in the financial sector for the qualitative component and the survey with questionnaires completed by entrepreneurs of start-up enterprises for the quantitative part of the report.

Results-From the research findings, the researcher should have a clearer picture of how these funding streams impact the growth of the businesses in terms of job creation.

DECLARATION-

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any University.

BOAZ OLUWADARE

01/08/2011

Signature

Date

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A CRITICAL ANALYSIS OF THE OUTCOMES ***OF DIFFERENT FUNDING STREAMS IMPACT*** ***ON JOB CREATION IN SMALL BUSINESSES IN*** ***GAUTENG***

INTRODUCTION Whenever a study is conducted to determine the critical factors that drive entrepreneurship activities either locally or globally, **Finance / Funding Support** would always appear as one of the most critical of all those factors. Every aspiring entrepreneur or potential business owner knows that a great business idea is only a dream unless you have the proper financial backing to get it off the ground. Hence access to start-up capital and maintaining a positive cash flow is essential for the sustainability of any business. **Money as a matter of fact is the fuel that runs the engine of any business.** Every **true entrepreneur** has come to recognise the term “**Cash Flow**” as crucial to the sustainability of their business, hence it would be quite interesting to explore the impact of various funding streams on small business start-up’s in the country as a way of assessing how funding from the sources available impact job creation in small business start-up’s”.

The researcher acknowledges that South Africa’s private sector and its funding mechanism is an extraordinary one that has produced several global champions however there need to critically explore if the private sector is indeed playing a

substantial role in start-ups and not just for bigger corporations or more established businesses where the researcher believes they have been focusing.

The impact of government funding over the past five years on small business start-up's also should be critically analysed since job creation has become the major focus of the present South African government as seen from the ruling party's manifesto.

This research would aim to analyse empirically the impact **these various funding streams** exert on job creation where government, venture capitalists and the banks are the funding vehicles for such businesses.

1.2 Background to the Research Problem

According to Herrington in the GEM (2006) an array of negative socio-economic variables (for example, unemployment and poverty) are embedded in the development of South Africa. Significant evidence already exists that directly indicate the positive correlation between the presence of a high entrepreneurial activity rate (TEA) and economic growth (a solution to the socio economic issues). South Africa's TEA rate measures amongst the lowest in the global economy with a figure of 5.3%, which imply that only five out of 100 individuals engage in entrepreneurial ventures. Coupled with this figure a large proportion of SMMEs are categorised as necessity entrepreneurs that operate on a survivalist basis (to be explained later), these micro enterprises as compared to opportunity entrepreneurs do not contribute to economic growth.

The Global Economic Monitor (GEM) report also reveals that the ratio of opportunity entrepreneur's is significantly higher in high income countries than in low / middle income countries and entrepreneurial activity is higher in low income countries.

(Stats'SA, 2011) reveals that the current unemployment rate in South Africa is in the vicinity of 24% and the total no of unemployed persons remained high at 4.1 million persons and 68, 0% of those who are unemployed were in long term unemployment as they have been unemployed for over one year or longer. To aid job creation, this research would focus on exploring the impact of these funding streams in the funding of start-ups as stipulated in the ASGISA report compiled in 2005 which aimed at reducing unemployment by 50% by the year 2010.

1.3 Definition of the Problem

Recent developments in South Africa has made it imperative that studies be conducted to really measure the impact of various funding streams as well as other various interventions in driving an increase in entrepreneurship among our working class. The government, banks and venture capitalists must be enlightened further on their role in contributing to macro level employment outcomes via funding and focus on this area of funding support for start-ups even though there exists little theoretical and empirical research at the individual and organisational levels that can help explain the specific factors that either enhance or constrain a new firms ability to create jobs. (Shane, 2003). This lack of knowledge is fairly surprising, because improved knowledge of the factors influencing job creation in new firms would not only be of key relevance for the organisational, labour market, and entrepreneurship literatures (Davidson, 2004; Ireland, Reutzler, & Webb, 2005), but would also be of vital interest to policy makers as governments seeks to implement policies and programs that ensure that their citizens can find work. (Osterman, Kochan, Locke, & Piore, 2002). A study in the US showed that newly founded firms (start-up's) generate significant numbers of new jobs since the average U.S net employment growth rate from 1980 to 2008 would have been negative if not for the jobs created by newly founded firms. (Haltiwanger, Jarmin & Miranda, 2009).

The challenge would be to discover the impact of these funding streams on entrepreneurship activities in South Africa since their indirect impact on job creation has already been established.

1.4 Objectives of the Study

The aim of this study would provide the various funding providers with clearer insight concerning the critical factors that promote (promoters) the growth of businesses and hinder (the inhibitors) business growth so they could be either avoided or minimised since the analysis would be carried out with entrepreneurs who are their target market. The analysis and results would also clearly reveal the challenges being faced by entrepreneurs from their own perspective and highlight those areas they expect to improve in terms of funding services made available to them. This would on the long run, provide more clarity as to how entrepreneur's view funding and document suggestions from them as to how this funding could be better tailored to suit their needs. As a result, venture capitalists, banks and government could be guided accordingly in their strategic planning.

This study would focus on seeking to provide answers to the questions shown below;

- 1). the **main question** will be to critically explore which of the funding streams is the kick starter of entrepreneurship and most preferred by start-up entrepreneurs here in SA.
- 2). Where are the funding streams getting it wrong as to entrepreneurship and ultimately job creation.
- 3). Does a correlation exist between start-up funding capital and Job creation?

1.5 Structure of the Report

The Research Report will take the following Structure;

Table No: 2 Structure of the Research Report

Chapter	Heading	Content
1	INTRODUCTION	This chapter states the problem that the research plans to address. It provides a background to the problem and explores the importance of conducting this research to the citizens of South Africa and the economy. This chapter would attempt to justify why study should be carried out to provide further insight into impact funding capital plays so far in business start-ups. From these discussions it presents the objectives of the research which are clearly outlined.
2	LITERATURE REVIEW	This chapter would explore a review of the relevant theory and literature on the entrepreneurial process from a multi-level perspective integrating entrepreneurship theory (micro level) with institutional (macro level) and collective identity (meso level) theories to examine the role institutions and collective identities play in the recognition and

		exploitation of opportunities in the economy as it relates to entrepreneurship.
3	RESEARCH PROPOSITION	The Research proposition outlines the four propositions that have guided the course of this research.
4	RESEARCH METHODOLOGY	The research methodology addresses the research approach adopted in this case a mixed method approach consisting of a qualitative as well as quantitative analysis as it entails the interviews with start-ups entrepreneurs and the analysis of data from these entrepreneurs in the Gauteng region of Johannesburg and the describes this quantitative process and methodology.
4	RESEARCH FINDINGS	The results obtained via a survey questionnaire filled in by the entrepreneurs selected from entrepreneurship workshop's and business events would be highlighted and published in this chapter.
5	ANALYSIS	This Chapter explores the information received & data collected as it pertains to the literature review and research findings which will be clearly documented.

6	RECOMMENDATIONS	This chapter recommends a framework based on the research findings and theory base as well as seek to provide useful advice to help Funding Institutions improve their strategy on enhancing job creation. Any further recommendation concerning future studies will also be mentioned here.
7	CONCLUSION	This Chapter then summarizes all the conclusions reached against the objective of the Research stated earlier. This would then be presented in a tabular form for easy reading.

CHAPTER 2: LITERATURE REVIEW

2.1 REVIEW OF LITERATURE

This Chapter is a review of the Theory and Literature on Funding activities in relation to Entrepreneurship. This review would also extend to the entire entrepreneurial process and its effect on job creation.

A literature review is defined as secondary data, which is data collected by agencies or by individuals that is not that of the researcher (Welman and Kruger, 2003).

Secondary data is also described as data that is already partially or fully available and no field workers or other laboratory experiments needs to be conducted to finalise the study (Steyn, Smit, Du Toit, Straseneim, 1994). The literature review is identified as being a cheaper option of doing research as well as less time consuming than primary data collection which involves the collection of data through different methods (Zikmund <2003>). Cooper and Schindler (1998) identifies the building on existing academic “body” of information and broadening the knowledge base as a more important benefit of secondary data.

The researchers preliminary literature review revealed that financial issues form the core of start-up’s problems (Stevenson and Jarillo 1990) and funding has to come from the either of the following sources;

- a). **Money markets** in the form of long term and short term debt,
- b). **Capital markets** in the form of equity, operations in the form of cash flow, or from
- c). **Liberal Government** in the form of grants and subsidies.

The aim of this research is to explore their impact as most young entrepreneurs who completed the questionnaires for example are defined by their fresh, exciting ideas and passionate drive to succeed but most, however, **lack money**—and the experience and connections to turn their concepts into viable businesses which poses a major challenge towards job creation and poverty alleviation in the country. Money is needed to meet business obligations such as the payment of salaries and allowances, rents, taxes, loan repayments, business investments etc. hence every funding programme available out there must impact business sustainability in such a way that job creation targets are met and the vision for poverty alleviation within the country is realised. Every transaction of the start-up demands money and the supply seldom happens in the way the demand unfolds. Looking at Africa as a whole there seems to be a financial gap in respect of funding for start-ups and this is inclusive of South Africa. The **International Finance Corporation** (IFC) a member of the World Bank Group this year expressed concern over SME's in the continent of Africa. The financial Institution hosted African bankers at their 2011 African banking conference held in South Africa on 5th May 2011 and estimated that up to 84% of all micro, small and medium enterprises (30-37 million) in Africa are un-served or underserved representing a financial gap ranging from \$140 billion to \$170 billion on the continent. Data source: [World Bank, World Development Indicators](#) - Last updated Apr 26, 2011

Dr. Emmanuel Imevbore, a South African based business coach and author of the book --**Ten major problems that cripple businesses**, states that seven out of ten businesses that collapse in South Africa do so as a result of financial problems. Every start-up therefore needs to learn about these monetary challenges and devise ways to overcome them as failure to learn and respond may lead to a monetary crisis and threaten the continued existence of the business venture.

To the best of the researcher's knowledge, there exists no study in South Africa that has empirically analysed and compared the impact of these funding streams on entrepreneurship activity and it is for this reason that this study is being conducted motivated by the relevance to the country today.

In the US for example, a global leader in terms of funding for start-ups and where entrepreneurship activity is highly advanced, it took the initiative of some private researchers to **fill the knowledge gap**. A University of Michigan project in 2005 managed by Paul Reynolds and Richard Curtin constituted a **panel study on entrepreneurial dynamics II** and identified a group of 1200 start-ups and tracked their progress until 2011. Their findings show that;

- ➔ More than 80% of new ventures were **funded by owner savings, personal loans and credit cards**. In short, owner financing exceeded all other sources of funding by a wide margin
- ➔ Only 17% of entrepreneurs received financial help from the folks who knew them, loved them or liked them.
- ➔ The average start-up kitty was about \$48,000 (median was less than \$4,500)
- ➔ At the end of two years, there was **no correlation between start-up capital and business success!**
- ➔ More than six years in, **fewer than two in five start-ups report initial profits**
– worth noting for potential entrepreneurs thinking of quitting their day's job!

These findings inspired the researcher to seek to explore the outcomes of such findings in South Africa especially in respect of the correlation between start-up capital and business success which will eventually lead to job creation. The Michigan findings declare that even in the US; most existing start-ups are rarely funded by venture capitalists, government and banks which reveal that collectively they fund less than 5% of the US new business ventures, this trend might even be worse in South Africa!

Further literature review lead the researcher to a paper published by the department of business administration of the national central university in Jhongli, Taoyan in Taiwan and it was discovered that the role of entrepreneurship and small businesses in economic development has received particular attention in the post-communist countries. Transition studies have recently emphasised the role that institutions play in orienting the entrepreneurial spirit toward capital formation, investment, export expansion, and **generation of new jobs** as well as fair competition which will lead to sustainable economic growth. Using China as a case study of a nation that has been able to create new jobs via entrepreneurship, China's communist party in its bid to stimulate entrepreneurship changed its bylaws in 2002 to accept entrepreneurs and develop high tech zones, science parks, and business incubators. They even went as far as streamlining substantially the company registration process even though it still requires reams of paperwork. These efforts by the Chinese government has helped businesses to flourish so that today china has 24 million small independent companies – a number that is growing at 15-20% annually even though virtually non-existent a few decades ago due to communism. The small to medium entrepreneurs are responsible for 75% of new jobs as estimated by the Hong Kong based CLSA-Pacific markets and these interventions has put China as a leading global entrepreneurial country and helped create jobs and reduce poverty among its people even though their government seems not to be directly involved in the entrepreneurial process through funding. Perhaps the South African government should likewise be concentrating more on creating the enabling environment to drive entrepreneurial activities rather than funding it directly or they may need to adopt a more innovative strategy for intervening in the entrepreneurial process.

Nevertheless the country needs to take its rightful place in the group of global entrepreneurial countries and a leader among emerging markets.

The impact of the recent global recession is still being felt across several world economies, South African markets not excluded. If South Africa would like to progress to the third level as defined by the global competitive report (2007), **Innovation** needs to improve as well as business sophistication as defined by the World economic forum. Business activities have always been a vehicle to growing a country's economy hence this research project would seek to provide insights to the ***Impact of the various funding streams in driving entrepreneurship start-up Businesses in South Africa from the perspective of Entrepreneurs***. The researcher believes that sustainable strategies need to be put in place to address South Africa's high unemployment rate.

Another highlight of the literature reviewed identified **entrepreneurial activities as one sure vehicle to job creation** however Dahles (2001:156) argues that entrepreneurs are Instruments for transforming and improving the economy and society. There is a fundamental difference between small business and entrepreneurship where **entrepreneurship creates wealth and leads to economic growth**. Wickham (2001) states that the **small business is normally geared around survival** and not the growth of the entrepreneur, he also states that the **entrepreneur is seen as the driver of innovation that contributes ultimately to a competitive economy**. For the purpose of this study, the definitions of some terms to be used in this study must be clearly defined; hence the definition of an entrepreneur as well as a start-up business and SMME's will be clearly defined.

Definition of an Entrepreneur

An **entrepreneur can be defined** as an Individual who sees an opportunity in the market, gathers resources, and creates and grows a business venture to meet these needs (Nieman et al., 2003:9) The entrepreneurs of small business whose motivation is survival are called "**necessity entrepreneurs** as compared to "**opportunity entrepreneurs**" which is true entrepreneurship which will be the focus of this study.

An entrepreneur could also be defined as **one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth** and by **identifying opportunities** and **assembling the necessary resources** (one of which is funding capital) to capitalise on them.

Definitions of SMME's as given in the National Business Act, 1997

Enterprise Size	No of Employees	Annual Turnover	Gross Assets
Medium	Fewer than 100 to 200 depending on Industry.	Less than R4 million to R50 million depending on Industry.	Less than R2million to R18 million depending on Industry.
Small	Fewer than 50	Less than R2 million to R2.5 million, depending on Industry.	Less than R2 million R4.5 million depending on Industry.
Very Small	Fewer than 10 to 20, depending on Industry.	Less than R200,000 to R500,000 depending on Industry.	Less than R150,000 to R500,000 depending on Industry.
Micro	Fewer than 5	Less than R150k	Less than R100k

Definition of a Start-up

A “**Start-up**” could be defined as a Company with a limited operating history according to Wikipedia, the online encyclopaedia. These companies, generally newly created, are in a phase of development and research for markets and this term became popular internationally during the dot-com bubble when a great number of dot-com companies were founded. Investors are generally most attracted to those new companies distinguished by their risk/reward profile and scalability and that is why they have lower bootstrapping costs (a self-sustaining process that requires no external help), higher risk and higher potential return on investment (ROI). Successful Start-ups are typically more scalable than established business, in the sense that they can grow rapidly with limited investment of capital, labour or land.

(This is a major motivation for this study). Start-up's usually encounter several unique options for funding; venture capital firms (usually private but could be government like the IDC) and angel investors may help companies begin operations by exchanging cash for an equity stake although in practice, many start-ups are usually initially funded by the founders (entrepreneurs) themselves. When considering the various funding streams available in South Africa for start-up businesses, The South African government for example has created several agencies to encourage entrepreneurial activities and they range from the department of trade & industry (DTI) to the Industrial development corporation of South Africa (IDC). One commends the attempt by government to promote the growth and sustainability of small businesses within the country; however their intervention in the entrepreneurial process needs to be critically considered. For instance in the US, William Dunkelberg the chief economist of the national federation for independent business admitted saying "It is hard to fathom, the government does not track where **small business- the engine that drives the economy-** gets its steam" and such a statement makes the researcher wonders if the billions of rand budgeted by the government in SA annually is actually creating jobs. They may need to reconsider their present intervention in the entrepreneurship cycle through funding when one considers some school of thoughts regarding government intervention; For example Roth cites **John Maynard Keynes's** *the end of Laissez-faire* (1926): the "important thing for government is not to do things which individuals are doing already and not to do them a little better or a little worse: but to do those things which are not done at all' (Roth, 1987:1) Simply put should the government be **directly involved** in the entrepreneurial process or not? Perhaps they are only required to step in whenever there is a crisis, as the US government did by providing a bailout package for the auto mobile industry during the recent global financial crisis / recession of 2009 when an automobile giant like Chrysler was loaned \$7.6billion by the US treasury. In spite of criticism from various sectors within the US, Chrysler succeeded in repaying back the amount in full inclusive of interest charges as at the 24th May 2011 Which incidentally happens to be a full six years ahead of the repayment schedule and is a good example of where funding from government played a crucial role in saving businesses and job losses. Such an event highlights as a "**promoting factor**" the

importance of **timing** in making funds available for businesses in what the researcher refers to as their “**hour of need**”.

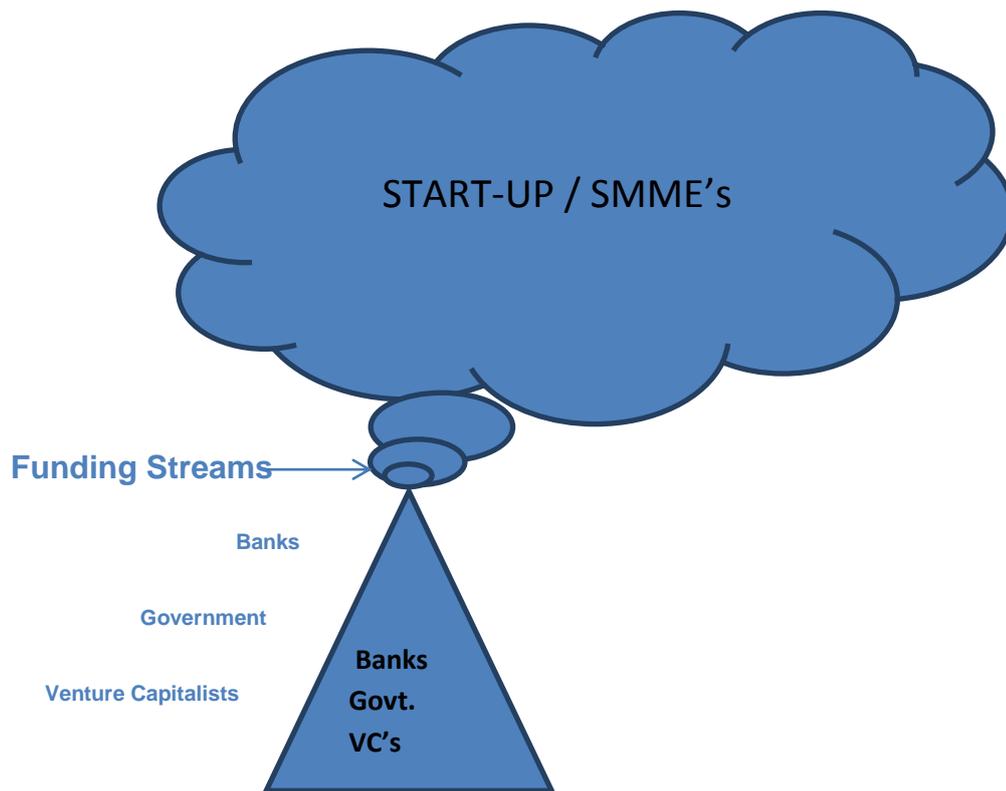
In South Africa, perhaps the focus of the government should rather be through legislation and funding support measures that create an enabling environment for fostering true entrepreneurship, or then transform the necessity entrepreneur to opportunity entrepreneurs and reward the latter. (Bukola; 2000 and Wickam; 2001)

The creation of new jobs is the lynchpin of economic growth and development and over the past decades, scholarly work on job creation has focused on understanding the contributions of different populations of firms – new and existing, large and small- to the overall creation of new employment (cf. Birch, 1979; Neumark, Zhang & Wall, 2006). Previous research has shown that newly founded firms (Start-up’s) generate significant numbers of new jobs. In fact in the US where the study was carried out, the average U.S net employment growth rate from 1980 to 2008 would have been negative if not for the jobs created by newly founded firms. (Haltiwanger, Jarmin & Miranda, 2009).

Also this report took note of events in the US, where venture capital as a matter of fact is linked with job creation and accounts for 21% of US GDP. The global entrepreneurship monitor 2006 uses the total early-stage entrepreneurial activity (TEA) index to determine the number of individuals aged between 18 and 64 that own or partially own a start-up business and actively participate in its management. To be classified in the GEM report as a new business (Start-up), an enterprise may not be operational for more than 42 months, after which it is classified as an established business and this would be one of the criteria to be considered in approaching entrepreneurs that would complete the questionnaire. The GEM report also highlights the challenges faced by South Africa in the current economic environment where established businesses are under increased pressure to produce the growth required. Inflation and the increased cost of debt can prove to be much for these businesses to survive (Herrington, et al 2006)

Although little is known theoretically about how the entrepreneurial process works in the South African economy, this does not negate the fact that it is the entrepreneurial process that drives economic activities.

To address this theoretical gap, the research should employ a multilevel perspective integrating entrepreneurship theory (micro level) with Institutional (macro level) and collective identity (meso-level) theories to examine the role Institutions such as the banks, government and venture capitalists play in the recognition and exploitation of opportunities in the economy.

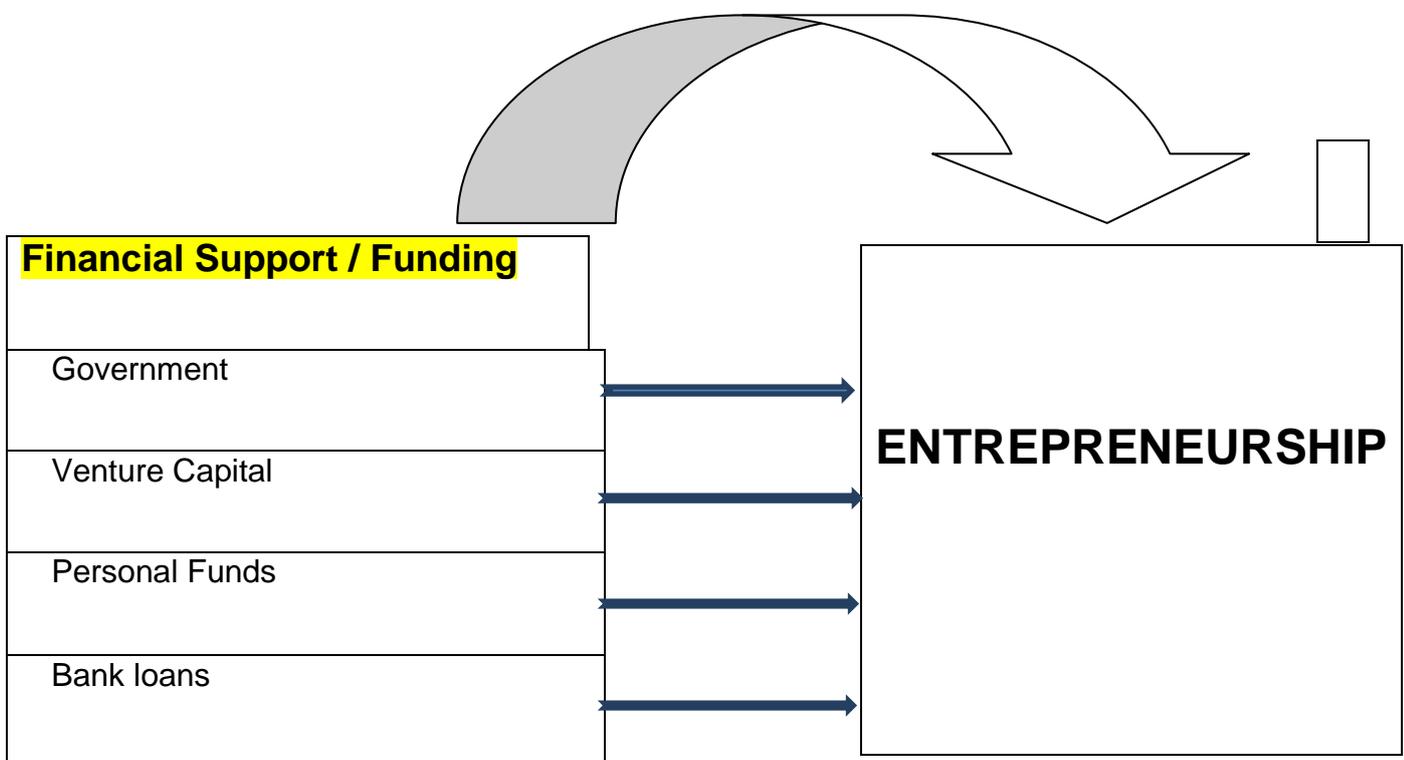


The research project would further explore all these various forms of funding streams from various perspectives, for instance according to (Mills, 2002: 172), the importance of **partnerships** cannot be over stressed, the task ahead is too formidable for any single Institution or set of Institutions to tackle. **Every one of us has a role to play**: the private sector, public sector, civil society, non-governmental Organisations, academia, multilateral and bilateral donors, as well as development organisations, and this concept of ppp's dates from the end of the twentieth Century, when countries such as Bulgaria, Croatia, The Czech Republic, Finland, France, Germany Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Romania,

Slovenia, Spain and the UK began to **improve their local economies and combat poverty through ppp's** (Cullen, 2001:2, Grimsey & Lewis 2004: 3-6).

Grimsey and Lewis define a ppp as a: “risk sharing relationship based on a shared aspiration between the public sector or metropolitan government and one or more partners from the private sector to deliver a publicly agreed outcome or service. (2004: xiv). South Africa only followed suit after 1994, and completed and published it's “ppp” manual in 2004 (National Treasury, 2004a:141). The outcomes of these funding streams needs to be critically explored in order to provide accurate answers to the questions earlier highlighted, Further academic literature was reviewed with the aim of gaining insight as to exactly what role this key driver of entrepreneurship -- **“Funding Capital”** exerts on the entrepreneurship process and inevitably job creation as illustrated in the diagram shown;

<Diagram 1>



The state of Entrepreneurship in South Africa is somewhat negative in the sense that only a few individuals or teams engage in true entrepreneurial activity, coupled with that an extremely high failure rate is present, known to be between 70% - 80% within 18 months from start-up (Berry, Von Blottniz, Cassim, kesper, Rajaratnam and Van Seventer, 2002) This leads the researcher to wonder if perhaps this high failure rate could be attributed to funding. The South African journal of science (September / October 2007 edition) documents the Godisa case study, an Initiative of the departments of trade and industry, and of science and technology. The study attempted to discover the **Key Success factors for Business Incubation in South Africa**. (Business Incubators are Organisations that provide protected environments for business start-ups) and there were twelve godisa incubators (2005). The findings that materialised from investigation conducted on these twelve godisa incubators spread across the country revealed that there were over eight factors that determined the success of these incubators and they include;

- i) **Availability of Funding**
- ii) Access to Science and Technology Expertise and facilities
- iii) A Comprehensive Business Plan
- iv) Stringent selection Criteria
- v) The Quality of Entrepreneurs
- vi) Stake holder Support
- vii) Supportive Government Policies
- viii) Competent and Motivated Management Team
- ix) Financial Sustainability
- x) Experienced Advisory board
- xi) Networking

The Godisa case study showed that incubators that operate in “Conducive” environments tend to be more successful than those that are not in such a setting. Considering the above, further investigation needs to be conducted to prove the theory that the way funding is currently structured is actually in line with providing the enabling environment for start-ups. The researcher recalls a few years ago, when the “chemcity” incubation model which was a private sector initiative by SASOL created 30 new businesses. Its success attracted interest from the government as “chemcity” created 700 jobs in the process. **Fin week (9/27/2007) Pg. 54-**

THEORITICAL BACKGROUND

The entrepreneurial process activities unfold in stages; entrepreneurial alertness, opportunity recognition, opportunity exploitation, and decisions concerning growth

(Bygrave & Hofer, 1991; Shane & Venkataraman, 2000).

These activities are the source for realising an opportunity's potential. Entrepreneurial activities refer to an individual's ability to recognise opportunities. Opportunity exploitation refers to activities entrepreneurs pursue to gather, bundle, and leverage new and existing resources in order to develop more efficient means and/or ends. (Sirmon, Hitt, & Ireland, 2007)

Entrepreneurs sustain their ventures' growth by leveraging the same opportunity in additional markets and/or by leveraging different opportunities in the same market.

Institutions and an entrepreneur's collective identity affect the entrepreneurial process (Aldrich & fiol, 1994; Polletta & Jasper, 2001; Sine, Haveman, & Tolbert, 2005).

We use institutional theory to describe how institutions affect the use of the entrepreneurial process. The Banking Institutions have been providing loans to aspiring entrepreneurs who choose the debt route to fund their business rather relinquishing control through equity split from Venture Capitalist's Institutions. The present strategy of Government funding agencies and Institutions such as the IDC is to directly provide financial support to business ventures that meet their funding requirement criteria.

CHAPTER 3: RESEARCH PROPOSITIONS

3.1 DEFINITION OF A PROPOSITION

Propositions are statements concerned with the relationships among concepts and thus explain the logical linkage among certain concepts by asserting a universal connection between the concepts. A proposition states that every concept about an event or thing either has a certain property or stands in a certain relationship to other concepts about the event or thing. Theories are networks of propositions.

Zikmund (2003)

3.2 ANALYSIS OF PROPOSITION CONSTRUCTS

From the literature review in the previous chapter, the researcher has already established **funding** as a key driver to entrepreneurial activities among start-ups. The study would then go deeper to explore the impact the various funding streams exert in influencing start-ups and SMME's from the entrepreneurs perspectives.

The following propositions will be tested and then analysed to verify their accuracy or falsehood;

3.2.1) **Proposition 1:** Personal funding vs. other funding streams has exerted the most significant influence on business start-ups?

3.2.2) **Proposition 2:** The "promoters" / Inhibitors of funding have significantly impacted entrepreneurship activities?

3.2.3) **Proposition 3:** There is a positive correlation between funding and job creation?

CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

This research sets out to assess the relationship that exists between funding support (From Government \ Venture Capitalists \ Banks) and start-ups. It further explores the impact that this relationship could have on achieving sustainable businesses in South Africa and its overall outcome of job creation. Chapter 3 outlined the propositions that have guided the course of this research and now Chapter 4 provides details on the methodology used to conduct this research. This includes a description of the research population and sampling techniques, the profile of respondents, the instruments used to collect the relevant data, and the specific tools and techniques used for data analysis.

4.2 RESEARCH PARADIGM

According to Hussey and Hussey (1997), a paradigm “refers to the progress of scientific practice based on people’s philosophies and assumptions about the world and the nature of knowledge; in this context, about how research should be conducted’ (p47). The two primary paradigms used for research purposes are referred to as qualitative and quantitative. Hussey and Hussey (1997) have drawn on the work of Crewell (1994) in compiling the table that follows. Table 4.1 provides a succinct comparison between these two paradigms, and in so doing, indicates the key strengths and weaknesses of each.

QUANTITATIVE	QUALITATIVE
1. The reality is objective, and usually one dimensional.	1. Reality is more subjective, and is multi-dimensional in nature.
2. The researcher is independent from that being researched.	2. The researcher interacts with the subject being researched.
3. Values do not play a role, and as such is unbiased.	3. Research data obtained is value-laden, and is hence biased.
4. The language is formal, where set definitions are used, and is impersonal in terms of delivery.	4. The language is more informal, where concepts and decisions continually evolve. The experience is personal.
<p>5. In terms of the research process:</p> <ul style="list-style-type: none"> ➔ It is a deductive process ➔ Cause and effect relationships are proven ➔ The design is static, where concepts are usually determined prior to research ➔ Research is context-free ➔ Generalisations are made to explain, understand and predict ➔ It obtains its accuracy and reliability 	<p>5. In terms of the research process:</p> <ul style="list-style-type: none"> ➔ It is an inductive process ➔ There is a mutual shaping of factors ➔ There is an emerging design, where concepts are identified often during the research ➔ Research is context-bound ➔ Patterns and theories are developed for understanding ➔ Accuracy and reliability are obtained

through validity.	through a process of verification
-------------------	-----------------------------------

Source: Hussey and Hussey (1997), p48. (Adapted from Crewell (1994), p5)

For the purpose of this research, it was deemed appropriate to use a combination of both the qualitative and quantitative paradigms. The aim is to capture the objectivity of a quantitative methodology in attempting to prove casual relationships, while utilising qualitative methods to gain a more insightful understanding of the multi-faceted phenomena being assessed.

Specifically, qualitative was considered necessary to this research for the following reasons;

Firstly, the qualitative phase of the research was designed to establish casual linkages between the key research variables. Through the two qualitative interviews with these experts, it will be possible to delve deeper into what constituted promoters and inhibitors of growth in their businesses. Also discuss how funding has impacted businesses and to discover areas that could be improved upon.

Yin (2003) suggests that interviews are one of the most important sources of case study information and that interviews appear to be guided conversations rather than structured queries. “Between the completely structured interview on the one hand, and the completely unstructured interview on the other hand, various degrees of structuredness are possible. Interviews between these extremes are usually called semi-structured interviews.” (Welman and Kruger, 2001, p.161)

The interviews were hence semi-structured interviews conducted with **Mr Strive Masiyiwa** who founded Econet Wireless (a Telecommunications Company with its head office in Byranston but operations across Africa) and **Mr Abbey Adenigba**,

founder and principal partner at Abaden Properties a real estate company based in Morningside in Sandton. Semi-structured interviews allow for different levels of structuredness and even though all respondents are asked the same questions, the interviewer may adapt the formulation, including the terminology, to fit the background and levels of education of the respondents. (Welman and Kruger, 2001,)

According to Welman and Kruger (2001), unlike completely structured interviews, the semi structured interview enables the interviewer to probe with a view to clearing up any vague responses, or to ask for elaboration of incomplete answers. This level of freedom makes semi structured interviews particularly applicable to the qualitative component of this study.

The quantitative phase of the research was then chosen so as to analyse statistically data from the questionnaires which was completed by these entrepreneurs from whom deductions can be made and then compared with the findings from the qualitative phase. The use of both a qualitative and quantitative research methodology is referred to as triangulation, which according to Hussey and Hussey (1997), can overcome the potential bias and sterility of a single-method approach' (p74). They also made reference to the work of Denzin (1970), who argued that triangulation leads to a greater level of validity and reliability than utilising one methodological approach. Although there are various forms in which researchers could utilise triangulation, methodological triangulation was relevant to this research, as this refers specifically to the use of both qualitative and quantitative data collection methods.

4.3 QUANTITATIVE RESEARCH METHODOLOGY

Generally this data collection method is perceived to be objective, as irrespective of whom conducts the study, by using the same instruments and methods, individuals should obtain the same results (University of New England, 2000)

4.3.1 POPULATION OF RELEVANCE

For the quantitative phase of this research, the research population encompassed aspiring and existing entrepreneurs of start-ups that are not more than 42 months old who aspire to receive or have already benefitted from funding from either of these funding streams. The primary data will be collected by a survey done with these entrepreneurs in the Gauteng region. Zikmund (2003) relates the word survey to the representative sample of the population. According to Zikmund (2003) the unit of analysis is “who the key players are” in the research study and in the case of this study, the entrepreneurs of these start-ups with the criteria mentioned earlier are the key players.

4.4 PROCEDURE / DATA COLLECTION / INSTRUMENT

Data was collected by means of a questionnaire which was initially loaded onto the website survey monkey <http://www.surveymonkey.com/s/59KXJR8> which due to few responses lead the researcher to attend two entrepreneurship seminars where entrepreneurs were physically together in one venue so as to have the questionnaires since most of them had busy schedules and were unable to complete the questionnaire online within the deadline period of that was set.

4.5 DEFENCE OF METHODS

Initially the main reason why the data collection method used for this study's quantitative component was the self-administered Internet questionnaire loaded onto survey monkey was simply because it offered the following advantages to the research study

- i) The website is always available hence this asynchronous method of administration allowed the researcher and respondent flexibility of response so that the respondent can fill the questionnaire at a time convenient and it was not necessary for the researcher to be physically present when the response form was completed.
- ii) Since respondents were selected from locations all over Gauteng, the web based questionnaire offered the convenience of collecting many responses in a short period of time.
- iii) The web based questionnaire allowed for online backup of the data collected and will allow the researcher to monitor the collection process with the aid of a Lap top from any location convenient using a 3G network card.
- iv) By their very nature web based questionnaires are structured and highly standardized ensuring better control in delivery of the Instrument as well as in data collection.

However the researcher discovered during the data collection phase that quite a number of the target entrepreneurs do not access the Internet regularly, a few were not computer literate and those who do so were so busy with their businesses that they were unable to all complete the questionnaire within the time phase required by the researcher. Nevertheless the researcher was committed to going the survey

route because, according to Hair, Wolfinbarger, Bush and Ortinau (2008) Surveys offers the following advantages, which suited the objectives of this research project:

- The results are obtained quickly;
- They are relatively inexpensive;
- They are efficient; and
- They are accurate.

With the above in mind, the researcher was motivated to attend two entrepreneurship seminars where several entrepreneurs were physically present at the same venue and were persuaded to fill the questionnaires right there and then. Other questionnaires were physically taken to the business location of the entrepreneur after securing an appointment.

4.6 RESEARCH DESIGN STRATEGY

By design, the research study had both a deductive and inductive element to it since it was both qualitative and quantitative in nature. The research strategy was the **survey strategy** because it allowed for the collection of the quantitative data and analyse it quantitatively using descriptive and Inferential Statistics thus producing the desired outcome which suggested possible reasons for particular relationships between variables and to produce models of these relationships. Furthermore the survey granted more control over the entire research process, which was the most cost effective way of generating findings that are representative of the whole entrepreneurs in the Gauteng region.

4.7 LIMITATIONS OF THE STUDY

The researcher experienced several limitations in conducting this research project due to the time and budget constraints documented hence the outcome and findings of this study may not be a true reflection of the impact of the various funding streams that were explored since the data collection process encountered entrepreneurs that were biased towards particular funding sources due to their level of awareness and the stage of their businesses. The study was also limited to the Gauteng region rather than on a national scale where different entrepreneurial activity may exist. Also the access to more entrepreneurs across several fields and beneficiaries of funding from venture capitalist and especially government was not possible due to the constraints mentioned.

4.7.1 LIMITED INFORMATION

Although much knowledge exists around entrepreneurship and funding, there was very little academic literature on the impact of funding streams on start-ups and SMME's hence the research was inductive in nature (working from data to theory) in respect to funding where the literature review served the purpose of illuminating and enriching the conclusions being presented.

4.7.2 TIME AND BUDGET CONSTRAINTS

The project deadline limited the number of questionnaires that could be circulated and produced some frustration when the sample population were not responding within the period allocated to data collection. Also since the project was self-funded

with very limited resources (the researcher actually applied to the national research foundation www.nrf.az.za but was not successful), the researcher reduced the number of expert interviews with established entrepreneurs to two due to transcription costs and transportation costs. There was a delay in receiving the data analysis from the statistician that was outsourced to assist in this phase also because of financial constraints. Considering the fact that the researcher currently resides in Dainfern-valley in Fourways, the scope of the project was limited to the province of Gauteng where probability sampling (or representative sampling) in particular cluster sampling was adopted as a means of making statistical inferences from the Gauteng population as to the trend in South Africa.

4.7.3 LANGUAGE BARRIERS

Due to the demographics of the research population of entrepreneurs, the researcher experienced language difficulties when for instance visiting an upcoming entrepreneur running a chain of Internet cafes in a Pretoria township who was comfortable in communicating only in an African language whereas the researcher speaks only English language. The researcher only encouraged the filling of questionnaires from such so as to prevent inconsistent translations during an interview process.

4.7.4 SENSITIVE INFORMATION

Despite the reassurance that the questionnaires were confidential, several of the successful entrepreneurs targeted to participate in the data collection phase opted to invoke the voluntary participation clause by apologising and declining participation in

completing the questionnaire even though the questions were not very intrusive and had an option not to disclose information in respect to some confidential questions. This lead to researcher to conclude that the barrier was not overcome by means of applying ethical research practises and confidentiality clauses perhaps due to trust issues since the researcher was a stranger to them and was perceived to be a foreigner by others.

4.8.1 DATA ANALYSIS

The returned questionnaires were scrutinized to recognise and lessen any errors. Statistical cleaning was applied to only analyse valid and useful questionnaires which reduced the number to thirty useful ones. The questionnaires had been coded prior to distribution and analysis in order to ease the statistical analysis procedure which was outsourced to a statistical consultant to guide the statistical analysis process with the aid of the Statistical software program SPSS 17 which was utilised to analyse the data downloaded to a Microsoft excel spread sheet.

5.1 RESULTS

The results will be offered by firstly presenting the descriptive statistics since these provide the Mean scores, Standard deviations & N for each subgroup;

Dependent Variable: jobs

Value of funds received	Business sector	Motive	Mean	Std. Deviation	N	
.00	retail	personal desire	5.0000	.	1	
		Total	5.0000	.	1	
	Total	personal desire	5.0000	.	1	
		Total	5.0000	.	1	
below R 50,000	financial services	opportunity identification	4.0000	.	1	
		Total	4.0000	.	1	
	Real estate	personal desire	4.5000	3.41565	4	
		Total	4.5000	3.41565	4	
	retail	personal desire	1.7500	.95743	4	
		opportunity identification	22.0000	.	1	
		Total	5.8000	9.09395	5	
	Advertising media	personal desire	1.0000	.	1	
		opportunity identification	2.0000	.	1	
		Total	1.5000	.70711	2	
	5.00	personal desire	personal desire	2.2000	1.30384	5
			opportunity identification	10.0000	11.31371	2
		Total	4.4286	6.07885	7	
		Total	personal desire	2.6429	2.23975	14
opportunity identification	9.6000		9.63328	5		
Total	4.4737		5.84398	19		
above R 350,000	Advertising media	personal desire	2.0000	.	1	
		Total	2.0000	.	1	
	Total	personal desire	2.0000	.	1	
		Total	2.0000	.	1	
4.00	Real estate	opportunity identification	3.0000	.	1	
		Total	3.0000	.	1	
	5.00	personal desire	2.0000	.	1	
		Total	2.0000	.	1	
	Total	personal desire	2.0000	.	1	
		opportunity identification	3.0000	.	1	
Total		2.5000	.70711	2		
5.00	Advertising media	personal desire	4.0000	.	1	
		Total	4.0000	.	1	
	5.00	personal desire	21.0000	.	1	
		Total	21.0000	.	1	
	Total	personal desire	12.5000	12.02082	2	
		Total	12.5000	12.02082	2	
Total	financial services	opportunity identification	4.0000	.	1	

	Total	4.0000	.	1
Real estate	personal desire	4.5000	3.41565	4
	opportunity identification	3.0000	.	1
	Total	4.2000	3.03315	5
retail	personal desire	2.4000	1.67332	5
	opportunity identification	22.0000	.	1
	Total	5.6667	8.14043	6
Advertising media	personal desire	2.3333	1.52753	3
	opportunity identification	2.0000	.	1
	Total	2.2500	1.25831	4
5.00	personal desire	4.8571	7.19788	7
	opportunity identification	10.0000	11.31371	2
	Total	6.0000	7.74597	9
Total	personal desire	3.7368	4.64091	19
	opportunity identification	8.5000	9.02774	6
	Total	4.8800	6.11910	25

Levene's Test of Equality of Error Variances

Dependent Variable: jobs

F	df1	df2	Sig.
8.102	13	11	.001

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.

The Levene's Test of Equality of Error Variances provides a test of one of the assumptions underlying analysis of variance. The value the researcher is most interested in is the level of significance which should be greater than .05 and therefore not significant. A significant result (Sig. Value less than .05) suggests that the variance of your dependent variable across groups is not equal.

Warnings

Post hoc tests are not performed for Value of funds received because at least one group has fewer than two cases.

Between-Subjects Factors

		Value Label	N
Value of funds received	.00	.00	1
	1.00	below R 50,000	19
	2.00	between R 50,000 and R 350,000	2
	3.00	above R 350,000	3
Business sector	1.00	financial services	1
	2.00	Real estate	5
	3.00	retail	6
	4.00	Advertising media	4
	5.00	other	9
Motive	1.00	personal desire	19
	2.00	opportunity identification	6

Descriptive Statistics

Dependent Variable: jobs

Value of funds received	Business sector	Motive	Mean	Std. Deviation	N	
.00	retail	personal desire	5.0000	.	1	
		Total	5.0000	.	1	
	Total		personal desire	5.0000	.	1
	Total		Total	5.0000	.	1
below R 50,000	financial services	opportunity identification	4.0000	.	1	
		Total	4.0000	.	1	
	Real estate	personal desire	4.5000	3.41565	4	
		Total	4.5000	3.41565	4	
	retail	personal desire	1.7500	.95743	4	
		opportunity identification	22.0000	.	1	
		Total	5.8000	9.09395	5	
	Advertising media	personal desire	1.0000	.	1	
		opportunity identification	2.0000	.	1	
		Total	1.5000	.70711	2	
	other	personal desire	2.2000	1.30384	5	
		opportunity identification	10.0000	11.31371	2	
Total		4.4286	6.07885	7		

	Total	personal desire	2.6429	2.23975	14
		opportunity identification	9.6000	9.63328	5
		Total	4.4737	5.84398	19
between R 50,000 and R 350,000	Real estate	opportunity identification	3.0000	.	1
		Total	3.0000	.	1
	Advertising media	personal desire	4.0000	.	1
		Total	4.0000	.	1
	Total	personal desire	4.0000	.	1
		opportunity identification	3.0000	.	1
Total		3.5000	.70711	2	
abobe R 350,000	Advertising media	personal desire	2.0000	.	1
		Total	2.0000	.	1
	other	personal desire	11.5000	13.43503	2
		Total	11.5000	13.43503	2
	Total	personal desire	8.3333	10.96966	3
		Total	8.3333	10.96966	3
Total	financial services	opportunity identification	4.0000	.	1
		Total	4.0000	.	1
	Real estate	personal desire	4.5000	3.41565	4
		opportunity identification	3.0000	.	1
		Total	4.2000	3.03315	5
	retail	personal desire	2.4000	1.67332	5
		opportunity identification	22.0000	.	1
		Total	5.6667	8.14043	6
	Advertising media	personal desire	2.3333	1.52753	3
		opportunity identification	2.0000	.	1
		Total	2.2500	1.25831	4
	other	personal desire	4.8571	7.19788	7
		opportunity identification	10.0000	11.31371	2
		Total	6.0000	7.74597	9
	Total	personal desire	3.7368	4.64091	19
		opportunity identification	8.5000	9.02774	6
		Total	4.8800	6.11910	25

Levene's Test of Equality of Error variances¹

Dependent Variable: jobs

F	df1	df2	Sig.
19.168	12	12	.000

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.

a. Design: Intercept + funds + sector + motive + funds * sector + funds * motive + sector * motive + funds * sector * motive

Tests of Between-Subjects Effects

Dependent Variable: jobs

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	545.590 ^a	12	45.466	1.545	.231	.607
Intercept	396.977	1	396.977	13.493	.003	.529
funds	51.909	3	17.303	.588	.634	.128
sector	248.693	4	62.173	2.113	.142	.413
motive	213.646	1	213.646	7.262	.019	.377
funds * sector	25.515	1	25.515	.867	.370	.067
funds * motive	.000	0000
sector * motive	131.351	2	65.675	2.232	.150	.271
funds * sector * motive	.000	0000
Error	353.050	12	29.421			
Total	1494.000	25				
Corrected Total	898.640	24				

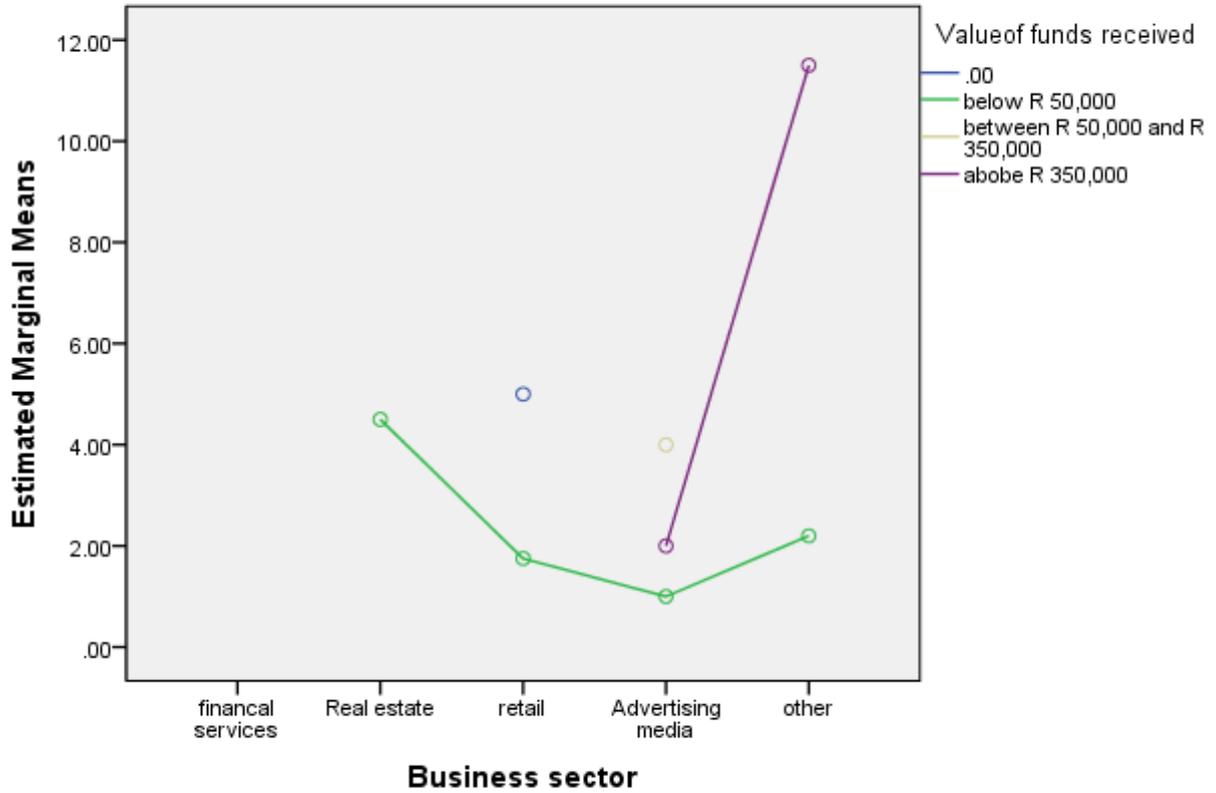
a. R Squared = .607 (Adjusted R Squared = .214)

Partial Eta squared refers to r^2 which is the Main effects and since we did not have a significant interaction effect, therefore we can safely interpret the main effects.

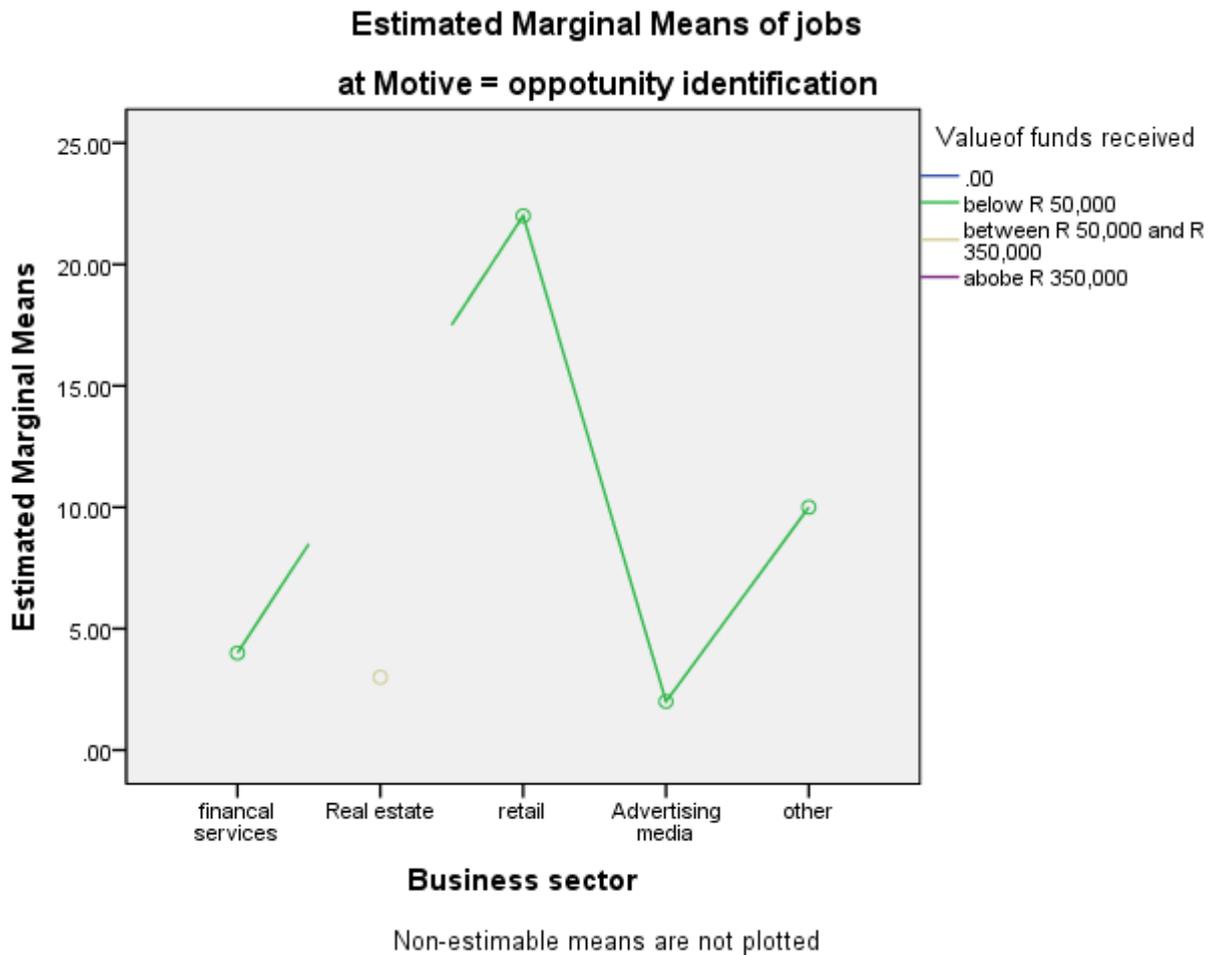
Profile Plots

Business sector * Value of funds received * Motive

Estimated Marginal Means of jobs at Motive = personal desire



Non-estimable means are not plotted



Interpretation of output from Two-way Anova will be discussed in the Chapter 6.

Univariate Analysis of Variance

Between-Subjects Factors

Motive		Value Label	N	
personal desire	Value of funds received	.00	.00	
		1.00	below R 50,000	
		2.00	between R 50,000 and R 350,000	
		3.00	above R 350,000	
	Business sector	2.00	Real estate	
		3.00	retail	
		4.00	Advertising media	
		5.00	other	
		Motive	1.00	personal desire
				19

opportunity identification	Value of funds received	1.00	below R 50,000	5
		2.00	between R 50,000 and R 350,000	1
	Business sector	2.00	Real estate	1
		3.00	retail	1
		4.00	Advertising media	1
		5.00	other	2
	Motive	1.00	financial services	1
2.00			opportunity identification	6

Descriptive Statistics

Dependent Variable: jobs

Value of funds received	Business sector	Motive	Mean	Std. Deviation	N
.00	retail	personal desire	5.0000	.	1
		Total	5.0000	.	1
	Total	personal desire	5.0000	.	1
		Total	5.0000	.	1
below R 50,000	Real estate	personal desire	4.5000	3.41565	4
		Total	4.5000	3.41565	4
	retail	personal desire	1.7500	.95743	4
		opportunity identification	22.0000	.	1
		Total	22.0000	.	1
	Advertising media	personal desire	1.0000	.	1
		opportunity identification	2.0000	.	1
		Total	2.0000	.	1
	other	personal desire	2.2000	1.30384	5
		opportunity identification	10.0000	11.31371	2
		Total	10.0000	11.31371	2
	financial services	opportunity identification	4.0000	.	1
		Total	4.0000	.	1
	Total	personal desire	2.6429	2.23975	14
opportunity identification		9.6000	9.63328	5	
Total		9.6000	9.63328	5	
between R 50,000 and R 350,000	Real estate	opportunity identification	3.0000	.	1
		Total	3.0000	.	1
	Advertising media	personal desire	4.0000	.	1
		Total	4.0000	.	1

	Total	personal desire	4.0000	.	1
		opportunity identification	3.0000	.	1
		Total	3.0000	.	1
abobe R 350,000	Advertising media	personal desire	2.0000	.	1
		Total	2.0000	.	1
	other	personal desire	11.5000	13.43503	2
		Total	11.5000	13.43503	2
	Total	personal desire	8.3333	10.96966	3
		Total	8.3333	10.96966	3
Total	Real estate	personal desire	4.5000	3.41565	4
		opportunity identification	3.0000	.	1
		Total	3.0000	.	1
	retail	personal desire	2.4000	1.67332	5
		opportunity identification	22.0000	.	1
		Total	22.0000	.	1
	Advertising media	personal desire	2.3333	1.52753	3
		opportunity identification	2.0000	.	1
		Total	2.0000	.	1
	other	personal desire	4.8571	7.19788	7
		opportunity identification	10.0000	11.31371	2
		Total	10.0000	11.31371	2
	financial services	opportunity identification	4.0000	.	1
		Total	4.0000	.	1
	Total	personal desire	3.7368	4.64091	19
		opportunity identification	8.5000	9.02774	6
		Total	8.5000	9.02774	6

Levene's Test of Equality of Error Variances^a

Dependent Variable: jobs

Motive	F	df1	df2	Sig.
personal desire	18.543	7	11	.000
opportunity identification	.	4	1	.

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.

a. Design: Intercept + funds + sector + motive + funds * sector + funds * motive + sector * motive + funds * sector * motive

Jobs = α + Motive + Sector + funds + Motive*Sector + Sector*Funds + Funds*Motive+ E
 Where E is the sampling error and α refers to the other factors not taken into consideration in this study.

CHAPTER 6: DISCUSSION OF RESULTS

The results of this study will be discussed in this chapter and based on the findings of the literature review in chapter 2 as well as the statistical analysis conducted in chapter 5.

The descriptive analysis showed that those who applied for funding were motivated by a personal desire to become entrepreneurs while surprisingly those who recognised an opportunity in the market did not apply for funding rather they utilised profits from the business to grow the business ventures.

In the Statistical analysis, the dependent variable was jobs while Funds received, sector and motivation for becoming an entrepreneur were the independent variables.

The Data Analysis in Chapter 5 showed that Funds and sector were not significant which implies that funding does not impact job creation without taken into consideration other factors such as the motivation for becoming an entrepreneur which had a p-value of 0.19 hence was the only significant factor. Motivation for becoming entrepreneurs also contributed 38% of the variation in Job creation since motivation had an r^2 value of 0.377, 38% variance on the number of jobs. The interaction effects between the various factors did not have an influence because they were not significant. The data also confirmed clearly the theory that personal funding remains the kick starter of every business venture. The researcher noted that entrepreneurs from other African countries are averse to borrowing; they prefer to grow their business from the profits that come in even though it affects the rate at which the business grows. The South African entrepreneur on the other hand embraces funding from other sources more favourably probably because they know

they easily qualify. Most entrepreneurs when in need of funds usually go to the banks for loans although the most common inhibitor to funding from the bank is the funding requirements and interest rates as most entrepreneurs prefer to be debt free. Majority feel that interest charges retarded the rate at which the business grows and erodes their profits. Most respondents frowned at sharing equity with venture capitalists unless they believe that the connections / business contacts known to their investors will move the business forward. They all want to exercise control; the ones who embraced sharing equity feel that the business is no longer theirs when the core motivation for starting businesses was to fulfil their personal desire to become entrepreneurs before they identified a gap in the market that became an opportunity for them to start. Another observation that must be stated here is that most aspiring entrepreneurs somehow still remain ignorant of the government programmes put in place to assist them, those of them who require funding assistance still lack the skills to put a convincing business plan together although the researcher acknowledges that government and other funding agencies have structures in place to assist in this regard. The researcher observed that the entrepreneurs who filled the questionnaire were driven into business more by the desire to become entrepreneurs. In the light of these findings;

3.2.1) **Proposition 1:** Personal funding vs. other funding streams has exerted the most significant influence on business start-ups? Answer – Personal funding.

3.2.2) **Proposition 2:** The “promoters” / Inhibitors of funding have significantly impacted job creation? Answer - false

3.2.3) **Proposition 3:** There is a positive correlation between funding and job creation? Answer - false

CHAPTER 7: CONCLUSION

7.1 INTRODUCTION

While the researcher is aware that several other factors outside of funding affect the growth and success of any start-up business, start-up entrepreneurs need to be passionate, energetic and wholly committed to seeing their businesses grow into even multi-nationals. Such values like motivation comes from within, however respect and admiration can drive such individuals if they are exposed to role models who are older and more experienced business leaders in their communities.

7.2 SUPPLY OF INFORMATION

The researcher was able to conclude from this study process that there still remains an information gap between those innovative entrepreneurs seeking funding assistance and the relevant funding Organisations seeking such business opportunities to fund.

7.3 RECOMMENDATIONS

The researcher recommends that government organise and sponsor business trade fair expositions quarterly or bi-annually across the various provinces within the country inviting venture capitalists and banks to provide a platform in a single venue for potential entrepreneurs to gather the right information as well as network with the key stake holders that could assist in taking their businesses forward.

This study showed that government funding and bank loans have only impacted job creation as far as the vision and passion for growth exhibited by the entrepreneur who received the funding and for this reason the private sector, venture capitalists have encouraged higher business growth and success hence job creation although the venture capitalists do not really focus on start-ups and SMME's. The high level of unemployment within this country can only be reversed by creating well-run state corporations which is where public private partnerships come into play as mentioned earlier in this report. The researcher makes reference to the history of South Africa and the rise of the Afrikaners among the white community of the Jews, British and Indians, the Afrikaner success strategy needs to be once again adopted as they have played a major role in building this country into the African power house that it is today. Their initial driving force was the 1939 National Economic Conference, where the key aim was to harness Afrikaner resources for the up-lifting of the broader Afrikaans community. This gained momentum when the Nationalist government gained power in 1948, Massive Afrikaner unemployment was quickly reversed by the creation of state corporations such as the railways and post office. National jewels such as Sasol and Iscor were created only to be privatised before the dawn of democracy. The National government at that time encouraged Afrikaner entrepreneurs to develop financial institution like Volkskas, Sanlam and Trust Bank, which in turn were able to finance live wire whiz-kids like fertiliser industry kingpin Louis Luyt, and Anton Rupert, who built empires by calling for the loyal custom of the Afrikaans communities. The criteria for the success of such Afrikaner empowerment ventures was putting the right management in place

and then holding them accountable. For such a strategy to work or any other funding strategy, Accountability is the key to successful South African empowerment unlike today's situation where corrupt or inefficient leaders of such businesses run the show

“This is not a matter of prestige; it is a matter of successfully competing in a globalised world; of becoming and staying a developed country (for states can and do regress as well as advance). If South Africa is to succeed and benefit its population, it must be able to compete in the globalised economy and become a wealthy and developed nation, which will require the development of modern industries using a significant amount of locally developed knowledge and technology”

- Keith Campbell, 27th July 2007, Engineering News.

7.4 FUTURE RESEARCH RECOMMENDATIONS

Due to the lack of evidence in the financial sector, a study based on establishing the percentage no of jobs created by each funding stream should be explored on a national scale so that the results would have more relevance for the government to buy into. A second suggestion for research would be to analyse the growth cycle of start-up's within the last ten years to full-fledged businesses employing a minimum of 100 persons.

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9. APPENDIX

9.1 QUESTIONNAIRE

I am doing Research to Analyse Critically the outcome of different FUNDING STREAMS Impact on Job Creation in Small Businesses within the Gauteng Area. & to that end, you are requested to complete the following Survey questions. Your participation is voluntary and you may withdraw at any time without penalty. Thank you for agreeing to participate in this Survey, it should take 20 minutes of your time and your input is greatly appreciated.

1} what is your current position in your Organisation

- Owner / Founder
- Manager
- Employee
- Other. Please specify _____

2} when did your company commence business operations?

- Last 4-5 years
- Last 2-3 years
- Last 1 year
- A few months ago. Please specify _____

3} which of the following Sectors is your company engaged in?

- Finance, Insurance or Banking
- Real estate, Construction or Renovations
- Retail, Marketing or Hospitality
- Agriculture, Advertising or Media
- Other. Please specify _____

4} which of the following best describes how your business was funded?

- Personal Funding / Bootstrapping / Equity Partnership
- Government Agency / programme
- Venture Capitalists
- Bank Loan \ Debt Funding
- Other. Please specify _____

5} where is your business currently located?

- Within Gauteng Province
- Outside Gauteng Province
- Outside South Africa

6} which of the following best reflect your businesses total annual revenue income before Tax?

- Below R50,000
- Between R50,000 – R 350,000
- Above R 350,000
- Prefer not to say

7} how long has your company being registered with SARS?

- Below 1 year
- Between 1 – 5 years
- Above 5 years
- Not yet

8} how many employees do you currently have working in the company?

- Below 5 persons
- Between 5 – 20 persons
- Above 20 persons
- Do not know

9} in retrospect how would you have liked to raise the initial capital for the business?

- Personal funds
- Friends or family
- Personal loans, credit cards etc
- External funding from Government / Venture Capitalists
- Bank loans

10} what motivated your choice in the previous question?

11} at what stage of the business did you seek capital injection from external sources?

- Before commencement of the business
- Between 1 – 2nd year of the business
- After the third year
- Other. Please specify _____

12} what motivated your decision to seek external funding?

13} please indicate the extent to which you agree or disagree with each of the following statements;

i) Access to Funding without any equity split enhanced the company's growth

Disagree Strongly

Neutral

Agree Strongly

1

2

3

4

5

6

ii) Access to Funding without any equity split enhanced the company's growth

Disagree Strongly		Neutral		Agree Strongly	
1	2	3	4	5	6
<input type="checkbox"/>					

iii) Interest / Repayment instalments constrained the growth of the business

Disagree Strongly		Neutral		Agree Strongly	
1	2	3	4	5	6
<input type="checkbox"/>					

iv) I am not content with the various funding options available to Entrepreneurs out there in the Economy

Disagree Strongly		Neutral		Agree Strongly	
1	2	3	4	5	6
<input type="checkbox"/>					

v) I believe that government funding is the best option for Business owners.

Disagree Strongly		Neutral		Agree Strongly	
1	2	3	4	5	6
<input type="checkbox"/>					

vi) I am not content with the various funding options available to Entrepreneurs out there in the Economy

Disagree Strongly		Neutral		Agree Strongly	
1	2	3	4	5	6
<input type="checkbox"/>					

14} how much financial funding was received by the company?

- Below R5 million
- Between R1 – R 5 million
- Above R 5 million
- Prefer not to say

15} which of the following best reflect your businesses total annual revenue income before Tax?

- Below R50, 000
- Between R50, 000 – R 350,000
- Above R 350,000
- Prefer not to say

16} which of the following best reflect the driving motivation for setting up this business?

- Personal Desire to become an Entrepreneur
- Gap in the market, Opportunity
- Available Programmes / Funding schemes available
- Other. Please specify _____

17} which of the following posed a big challenge or obstacle in respect of Funding for the Business?

- Funding Requirements
- Amount Approved
- Timing for receipt of Funds
- Other. Please specify _____

18} which of the following areas were the funds received spent on?

- Acquisition of equipment etc
- Payment of Salaries, suppliers etc
- Timing for receipt of Funds
- Other. Please specify _____

19} without the funds received the business would be?

- Non existent
- Better off than it is today
- Struggling
- Other. Please specify _____

20} How many staff does your company currently employ?

less than 5

Between 5-20 persons

Above 20 persons

Other. Please specify _____