

Chapter 5

Self-employed university graduates in South Africa

5.1. Introduction

The goal of the literature review was to place the project into a scientific perspective. The general information gathered through the literature was used to compare, measure and enhance the unique South African situation as analysed in the postal survey and interviews.

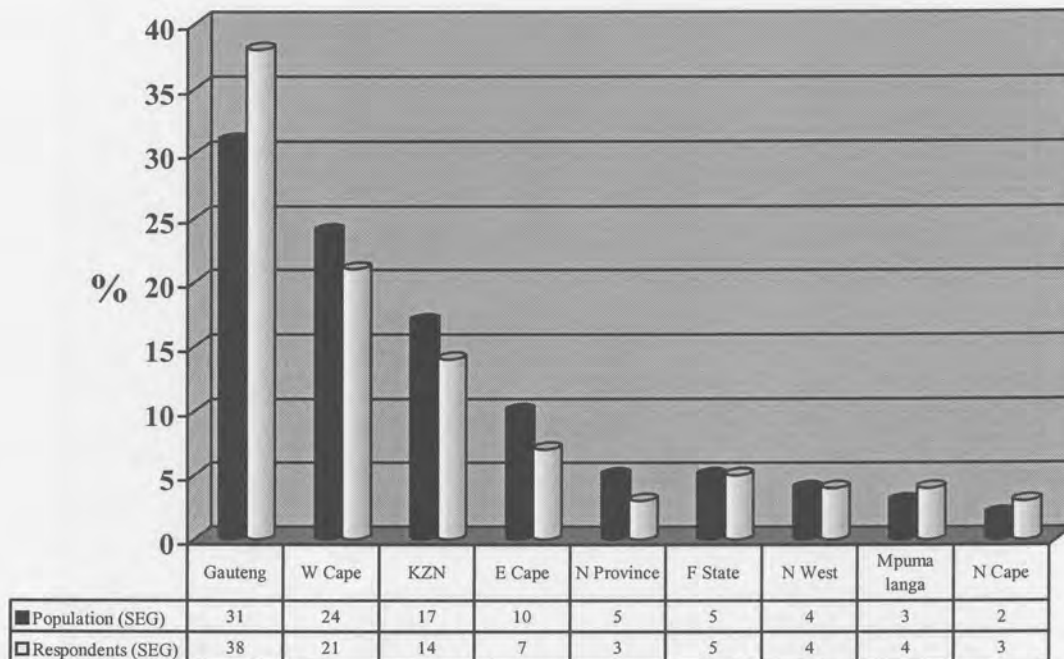
The literature study reports on research results in previous studies that sometimes came from small samples and were therefore not always reliable, while this survey had a large response and the results can thus be compared with confidence with previous research statements. Subsequently is a description and discussion of South African university self-employed graduates in South Africa.

5.2. Profile of self-employed university graduates

Seen that the sample of self-employed graduates was big, the response rate good and the responses weighted according to occupational field to fit the profile of self-employed graduates on the Register of Graduates, the results could be extrapolated to the population of self-employed university graduates.

5.2.1. Provincial representation

All the provinces were well represented. The respondents' provincial representation reflected that of self-employed graduates in the country. Gauteng was a bit over represented (31% self-employed graduates in Gauteng and 38% in the response group), but for the rest of the provinces, the respondents were very much in proportion as indicated in Figure 5.1.

Figure 5.1: Provincial representation of study

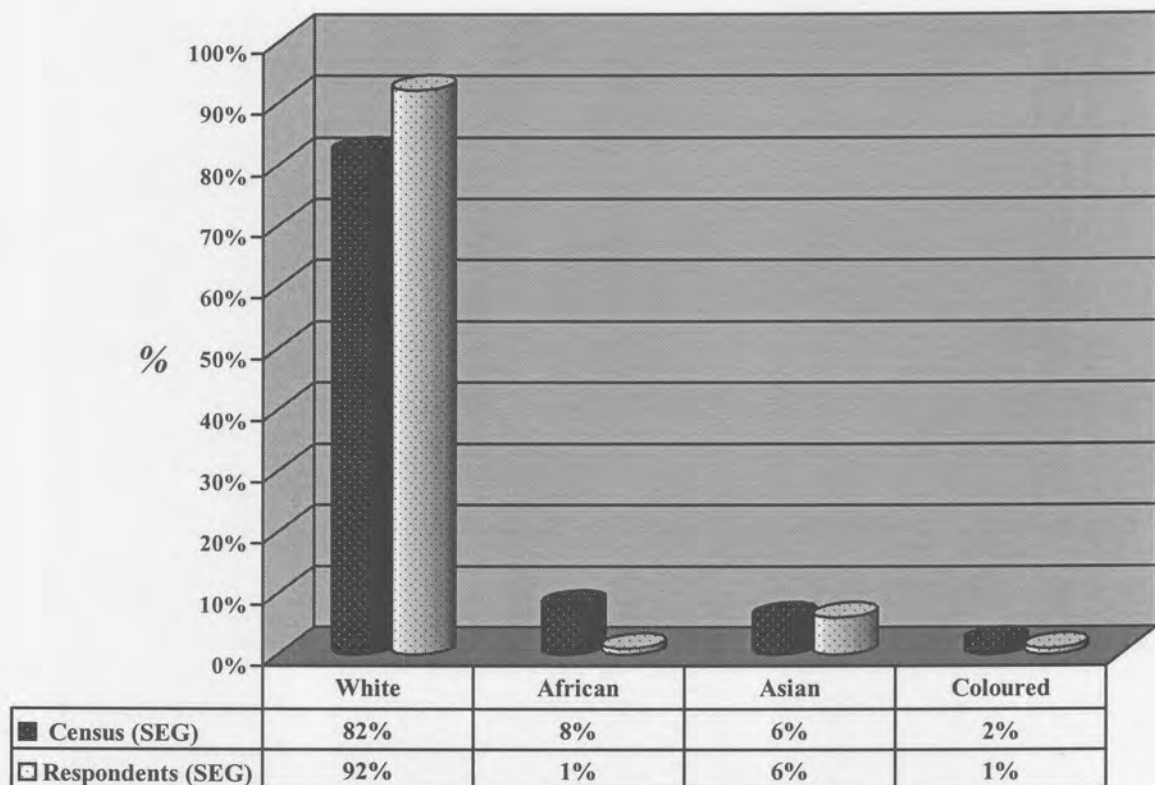
Sources: Statistics South Africa: October Household Survey 1999 & Self-employed graduate respondents (2000).

SEG = Self-employed graduates, W Cape = Western Cape, KZN = KwaZuluNatal, E Cape = Eastern Cape, N Province = Northern Province, F State = Free State, N West = north West, N Cape = Northern Cape

5.2.2. Representation of study according to population group

Population groups among the self-employed university graduate response group reflected the race proportions of the self-employed graduates in the Census (1996), except for the African group that was under-represented in the response group, as can be seen Figure 5.2. According to the Census, 8% of the self-employed graduates in the country were Africans, while 1% of all self-employed graduate respondents were African. This was mainly due to the fact that the previously disadvantaged universities did not respond well to HSRC requests for updating the Register of Graduates and this resulted in an under-representation of Africans on the Register. Another reason was that the Register of Graduates also did not include most graduates who obtained their qualifications abroad and there was quite a number of Africans among them. Information regarding African self-employed university graduates should therefore be interpreted with more caution. All other population groups were well represented among the respondents, if compared to the Census results.

Figure 5.2: Representation of study according to population group



Sources: Statistics South Africa: Census 1996 & Self-employed graduate respondents (2000)

To follow is the profile of the respondents according to occupational field and gender, occupational field according to population group, period of employment before becoming self-employed, and age.

5.2.3. Occupational field and gender

Occupational fields were grouped into the following twelve main occupational fields: Natural science; information technology; engineering and related; agricultural and related; veterinary science; medical and dental; supplementary medical services; social sciences and human resources (HR); publish, advertise and creative arts; legal; business, and chartered accounting (CA). Table 5.1 gives an indication of the distribution of self-employed graduates according to occupational field and gender. Nearly a quarter of self-employed graduates were

in the *business field*, as indicated in Table 5.1. The majority of self-employed graduates were males (72%). In all occupational fields, male self-employed graduates dominated, except in the so-called "soft sciences" like *publishing, advertising and creative arts* (4%), and the *social sciences and HR field* (9%), where female self-employed graduates outnumbered males. It seems that more should be done to stimulate females to move into the present male dominated occupational fields, either through giving prominence and publicity to female role models in these fields or through workshops and more exposure. Occupational fields where female self-employed graduates could increase their numbers considerably were in the *business field* (15% males and 7% females); *engineering and related field* (11% males and less than 1% females), the *agricultural and related field* (10% males as opposed to 0.4% females), and the *medical and dental field* (9% males, as opposed to 1% females).

Table 5.1: Self-employed graduates according to occupational field and gender

Occupational field	Gender					
	Female	Male	Total	Female	Male	Total
	n	n	n	%	%	%
Natural science	189	1311	1500	0.3	2.4	2.8
IT	315	984	1299	0.6	1.8	2.4
Engineering & related	231	5949	6181	0.4	11.0	11.4
Agriculture & related	853	5635	6488	1.6	10.4	12.0
Veterinary Science	169	427	596	0.3	0.8	1.1
Medical & Dental	549	5041	5589	1.0	9.3	10.4
Supplementary Medical Services	1585	1812	3398	2.9	3.4	6.3
Social sciences & HR	4593	2575	7168	8.5	4.8	13.3
Publish, advertise & creative arts	2308	974	3281	4.3	1.8	6.1
Business	3816	7930	11746	7.1	14.7	21.8
Legal	171	3323	3495	0.3	6.2	6.5
Chartered Accounting	248	3011	3259	0.5	5.6	6.0
Total	15027	38972	53999	27.8	72.2	100.0

5.2.4. Occupational field, according to population group

The race of the self-employed graduate respondents reflected the race proportions of self-employed graduates in the Census (1996), except for the African group that was underrepresented in the response group (paragraph 5.2.2). Among self-employed graduates in the whole *country*, 8% were Africans, while 1% of self-employed graduates *respondents* were Africans (CSS, 1996). Information on African self-employed graduates should thus be interpreted with caution. All other population groups were well represented, according to the pool of self-employed graduates available in the country.

Occupational fields, in which no other population groups, but whites featured, were natural science and veterinary science. Africans, coloureds and Asians are underrepresented in all occupational fields that self-employed graduates engage in, as can be seen in Table 5.2. Most self-employed *African* graduates were in the medical and dental field (1.5%), business field (1%) and legal field (0.9%), while there were very few Africans in the natural science field; engineering and related field; veterinary science field; and the publishing, advertising and creative arts field. *Coloureds* were best represented in the information technology (IT) field (3.3%); publish, advertise and creative arts field (2.2%); and in the medical and dental field (1.2%). Coloured self-employed graduates need to move more into especially the natural science field, agricultural field, veterinary science field, social sciences and HR field, and chartered accounting field. *Asian* self-employed graduates were mainly in the medical and dental field (19%), supplementary medical services (7%) and the legal field (6%). Asians were mainly underrepresented in the natural science field, IT field, veterinary science field and the publishing, advertising and creative arts field.

Table 5.2: Occupational field, according to population group

Occupational field	Population group					
	Asian	African	Coloured	White	Total	
Natural science	n	0	0	0	1500	1500
	%	0,0	0,0	0,0	100	100
IT	n	0	10	43	1246	1299
	%	0,0	0,8	3,3	95,9	100
Engineering & related	n	43	0	24	6114	6181
	%	0,7	0,0	0,4	98,9	100
Agriculture & related	n	48	30	0	6418	6495
	%	0,7	0,5	0,0	98,8	100
Veterinary science	n	0	0	0	596	596
	%	0,0	0,0	0,0	100	100
Medical & Dental	n	1076	82	66	4365	5589
	%	19,3	1,5	1,2	78,1	100
Supplementary Medical Services	n	224	10	24	3140	3398
	%	6,6	0,3	0,7	92,4	100
Social sciences & HR	n	83	52	0	7041	7176
	%	1,2	0,7	0,0	98,1	100
Publish, advertise & creative arts	n	0	0	72	3209	3281
	%	0,0	0,0	2,2	97,8	100
Business	n	391	118	81	11156	11746
	%	3,3	1	0,7	95	100
Legal	n	204	33	8	3251	3495
	%	5,8	0,9	0,2	93	100
Chartered Accounting	n	186	22	0	3052	3259
	%	5,7	0,7	0,0	93,6	100
Total	n	2254	357	318	51086	54014
	%	4,2	0,7	0,6	94	100

5.2.5. Working experience before self-employment

As indicated in Table 5.3, the majority (86%) of self-employed graduates first got experience with an employer before embarking on self-employment. This stresses the importance of job

opportunities that should be available to get experience before graduates go on their own. Higher education, government and the business world should work together to create these opportunities for practical experience that is crucial in order to become self-employed. Future employers and along with them, job creation, are only possible if there is enough opportunities to get the necessary experience as was also revealed in the literature overview (Chapter 2, paragraph 2.3, 2.5 & 2.6.1).

The importance of experience applied to self-employed graduates in all occupational fields, although about a quarter of those in the agricultural and related field, as well as the medical and dental field started their careers in self-employment without being employed first. In these fields, however, practical experience is very much part of the whole training programme. Those in the agricultural field often were fortunate enough to have been born and bred on a farm with the experience that goes along with it. The need in society for medical and dental services and production of food, makes opportunities for self-employment more readily available in these fields.

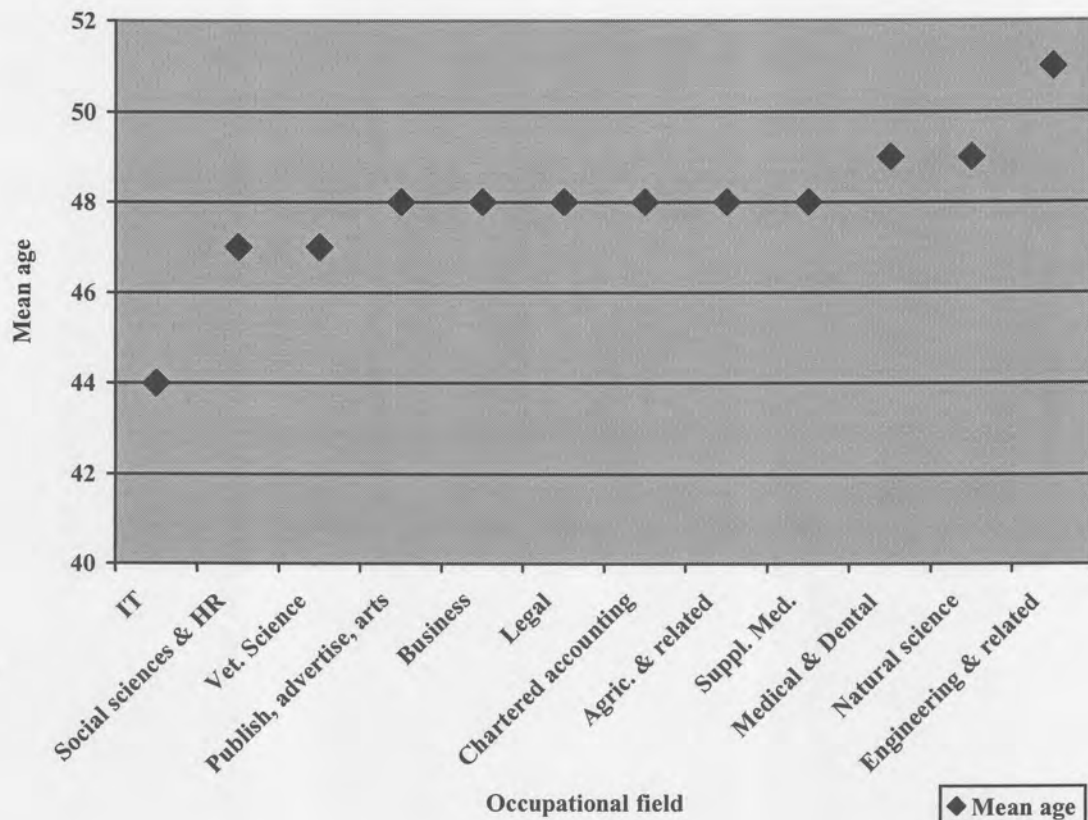
Table 5.3: Employment before self-employment, according to occupational field

Occupational field	Yes		No		Total	
	n	%	n	%	n	%
Engineering & related	5807	94.5	336	5.5	6143	100
Natural Science	1412	94.1	88	5.9	1500	100
Publish, advertise & arts	3060	93.6	210	6.4	3271	100
Social sciences & HR	6617	92.5	534	7.5	7151	100
Business	10357	88.4	1360	11.6	11717	100
Chartered Accounting	2851	87.8	397	12.2	3248	100
Legal	2981	85.7	497	14.3	3479	100
IT	1104	85.0	195	15.0	1299	100
Veterinary science	503	84.9	89	15.1	592	100
Supplementary Medical Services	2863	84.3	531	15.7	3394	100
Medical & Dental	4056	73.4	1466	26.6	5522	100
Agriculture & related	4528	72.1	1754	27.9	6281	100
Total	46139	86.1	7458	13.9	53597	100

5.2.6. Age

When looking at the mean age of self-employed graduates, it is clear according to Figure 5.3 that most self-employed graduates were in their middle ages and first studied, got training and work experience, as the mean age of self-employed graduates was 48. Longer periods of studying, training and work experience were necessary in especially the medical and dental field (mean age of 49); natural sciences (mean age of 49); and the engineering and related field (mean age of 51). Slightly shorter years of training and study were necessary in the rest of the occupational fields where the mean age was 48. Younger self-employed graduates were in the social sciences & HR field (mean age of 47); veterinary science field (mean age of 47); and the IT field (mean age of 44). This could be an indication that these fields were only recently more accessible for self-employment than previously.

Figure.5.3: Mean age of self-employed graduates according to occupational field



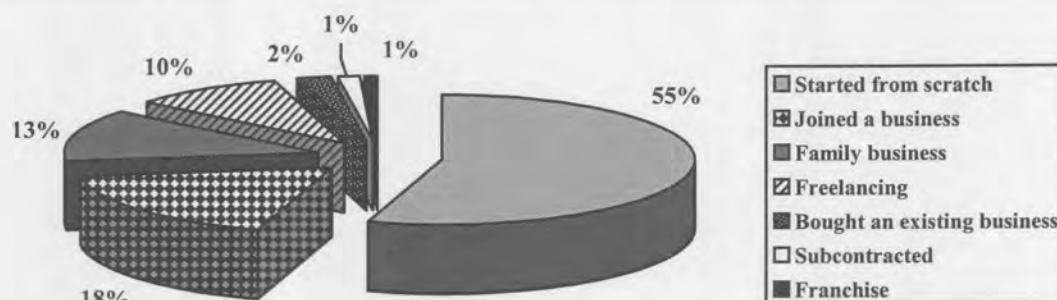
5.3. Nature of businesses

Self-employed graduates were asked to indicate the nature of the businesses they engage in. The approach followed when becoming self-employed, the period of self-employment, intention to grow or not to grow, form of business, size of businesses, and turnover were asked.

5.3.1. Approach followed in becoming self-employed

Self-employed graduates were asked to indicate which approach they followed in becoming self-employed. The given options were: to take over a family business, to start a franchise, to start a business from scratch, to join an existing business, to become subcontracted, or to freelance. As indicated in Figure 5.4, half (55%) of the self-employed graduates embarked on self-employment by starting a business from scratch. The second most popular approach was to join an existing company (18%), while a few took over a family business (13%) or started freelancing (10%). To buy an existing business (2%), to become subcontracted (1%), and to start a franchise business (1%), were approaches followed by not many self-employed graduates.

Figure 5.4: Approach followed in becoming self-employed



5.3.1.1. Approached followed in becoming self-employed according to occupational field

Although more than half (55%) of self-employed graduates started their businesses from scratch, it varied according to occupational field as indicated in Table 5.4:

- most self-employed graduates in almost all fields started their own business from scratch, except those in the agricultural and related field; publishing, advertising and creative arts field; legal field; and chartered accounting field;
- in the agricultural and related field, half (51%) took over a family farm/business;
- those in the legal field (49%) and chartered accounting field (51%) preferred to join an existing practice/company/business;
- almost half (49%) of the self-employed in the publishing, advertising and creative arts field, embarked on self-employment by doing freelance work.

Table 5.4: Approach followed by self-employed graduates in becoming self-employed, by occupational field

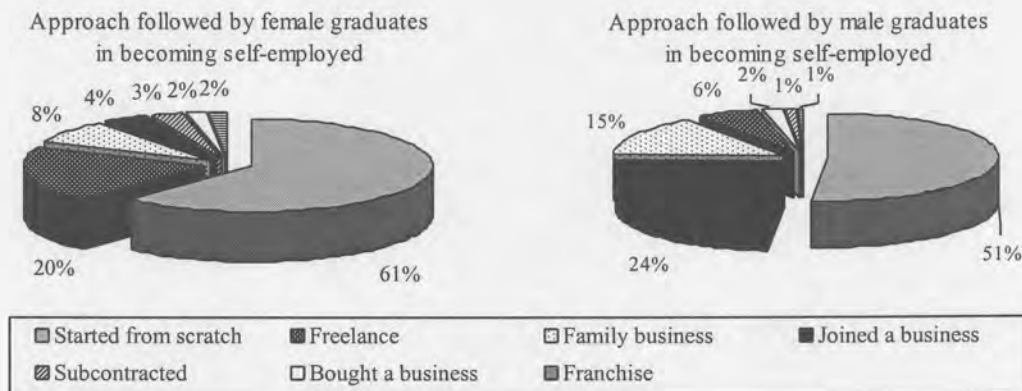
Approach followed	Occupational field												
	N. Sc.	IT	Eng.	Agric.	Vet.	Med.	S. Med.	HR	Publ.	Bus.	Legal	CA	
Started by	n	11	0	270	3252	85	662	522	205	69	1668	225	165
taking over a family business.	%	0.7	0.0	4.4	51.3	14.3	12.0	15.4	2.9	2.1	14.2	6.5	5.1
Started a franchise	n	0	0	19	0	0	6	25	93	11	286	19	0
	%	0.0	0.0	0.3	0.0	0.0	0.1	0.7	1.3	0.3	2.4	0.5	0.0
Started own business from scratch	n	1048	764	3407	2317	328	3088	1933	4759	1389	7512	1509	1266
	%	69.9	58.9	55.4	36.5	55.4	56.0	56.9	67.5	42.8	64.0	43.6	38.8
Joined an existing business	n	107	89	1938	480	167	1609	544	486	0	938	1685	1665
	%	7.1	6.9	31.5	7.6	28.3	29.2	16.0	6.9	0.0	8.0	48.7	51.1
Started by becoming subcontracted	n	0	171	129	8	0	12	0	116	175	151	0	24
	%	0.0	13.2	2.1	0.1	0.0	0.2	0.0	1.6	5.4	1.3	0.0	0.7
Started to freelance	n	333	274	306	91	4	90	283	1339	1581	860	16	85
	%	22.2	21.1	5.0	1.4	0.7	1.6	8.3	19.0	48.7	7.3	0.5	2.6
Bought an existing business	n	0	0	82	194	8	50	90	48	23	315	8	55
	%	0.0	0.0	1.3	3.1	1.3	0.9	2.7	0.7	0.7	2.7	0.2	1.7
Total	n	1500	1299	6151	6342	592	5518	3398	7045	3247	11730	3462	3259
	%	100	100	100	100	100	100	100	100	100	100	100	100

N.Sc.=Natural science, IT=Information Technology, Eng.=Engineering & related, Agric.=Agriculture & related, Vet.=Veterinary science, Med.=Medical & Dental, S.Med.=Supplementary Medical Services, HR=Social sciences & HR, Publ.=Publish, advertise & arts, Bus.=Business

5.3.1.2. Approach followed in becoming self-employed, according to gender

Both females (62%) and males (52%) among the self-employed graduates started their own businesses from scratch, although females showed considerable strength as they did this to a greater extent, as shown in Figure 5.5. Almost a quarter (24%) of the males joined existing businesses, while 4% only of the females got opportunities to do so. This is an indication of gender discrimination of the past, but females showed resilience irrespective of fewer opportunities that were available to them, by starting to freelance (20%). This confirms the gender discrimination that was found in previous studies as well as the ability of females to cope with their circumstances (Chapter 2, paragraph 2.4.2). Double as many males (16%) than females (8%) took over family businesses.

Figure 5.5: Approach followed in becoming self-employed, by gender



5.3.1.3. Approach followed in becoming self-employed, according to population group

There was a difference in the approach taken by graduates of the various population groups in becoming self-employed, although not to a great extent, as can be seen in Table 5.5. In all population groups, the most popular way to start a business was to do it from scratch. African (87%) and coloured (71%) self-employed graduates, however, took this route to a larger extent than the white (54%) and Asian (68%) self-employed graduates did. Mostly whites (18%) and Asians (19%) joined existing businesses, while 5% Africans, and 4% coloureds only joined existing businesses. Nearly a quarter (22%) of the coloured self-

employed graduates took over family businesses. Subcontracting was more common among the African self-employed group (4%) than among the other self-employed graduates in the other population groups.

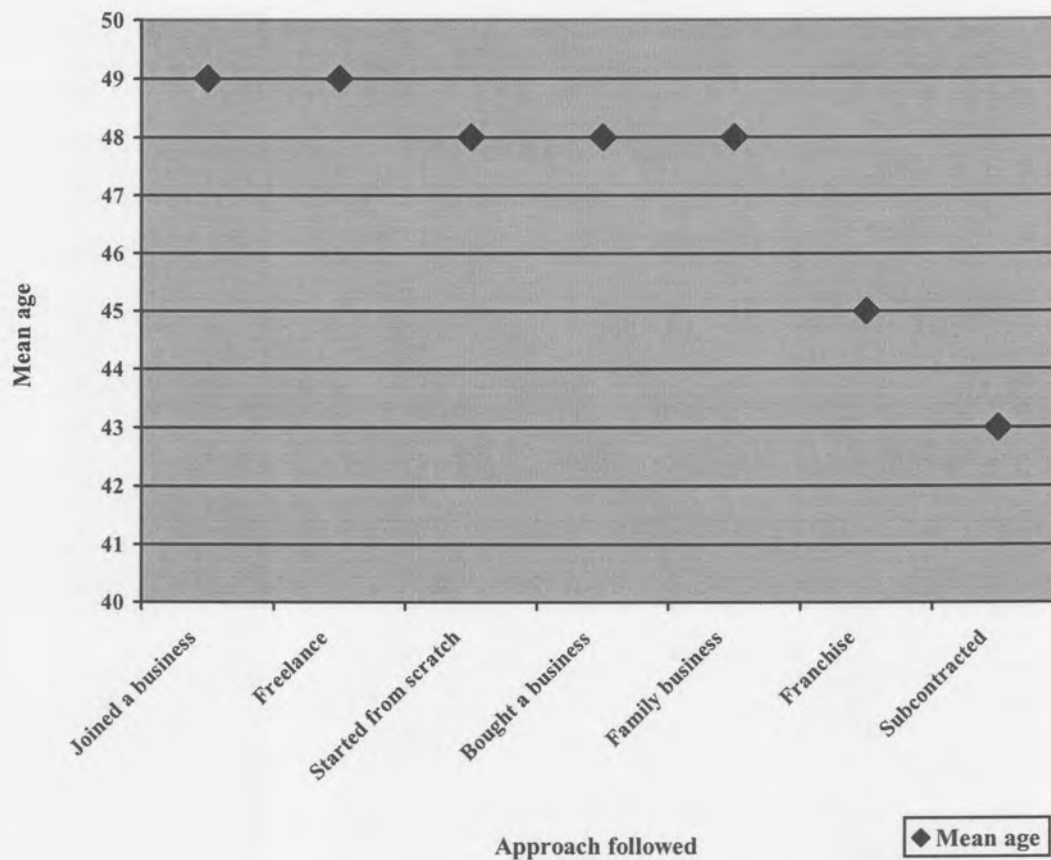
Table 5.5: Approach followed in becoming self-employed, according to population group

Approach followed	White		Asian		Coloured		African	
	n	%	n	%	n	%	n	%
Took over a family business	6889	13.6	171	7.7	69	21.6	4	1.2
Started a franchise	449	0.9	0	0.0	10	3.1	0	0.0
Started from scratch	27287	53.9	1519	68.2	225	70.9	275	87.0
Joined an existing business	9255	18.3	422	18.9	14	4.4	16	5.0
Became subcontracted	773	1.5	0	0.0	0	0.0	13	4.1
Started to freelance	5178	10.2	76	3.4	0	0.0	9	2.8
Bought an existing business	834	1.6	40	1.8	0	0.0	0	0.0
Total	50665	100	2228	100	318	100	317	100

5.3.1.4. Approach followed in becoming self-employed, according to age

There were a slight difference in the approach that were followed in becoming self-employed by older than by younger graduates as indicated in Figure 5.6. The older self-employed graduates were more inclined to join existing businesses or to do freelance work, as the mean age was 49 for those who followed these approaches when they became self-employed. Those who started a franchise or became subcontracted were younger, as their mean age was 45 and 43 respectively. The mean age for self-employed graduates, who started from scratch, bought a business or joined a family business, were 48 at the time of the survey.

Figure 5.6: Approach followed in becoming self-employed, by mean age



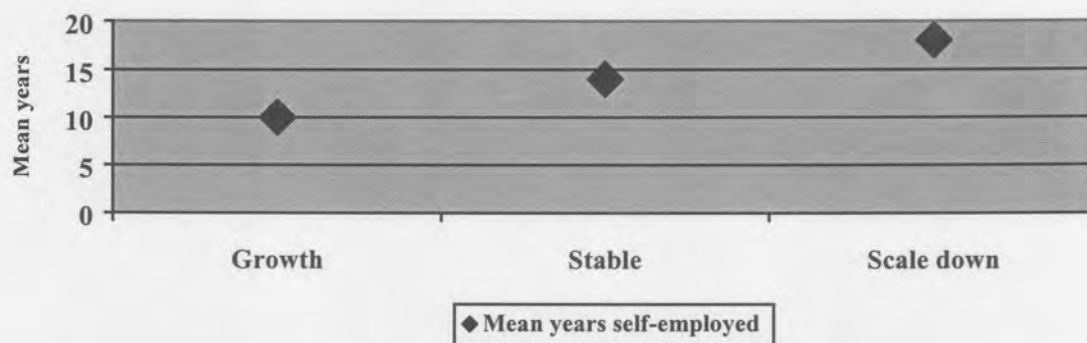
5.3.2. Job creation potential according to the maturity of businesses

(period self-employed)

According to the literature, to grow or not to grow, is an occupational choice that is taken by the self-employer (paragraph 1.2.2). It is not necessary proof of success, as there are those who are successful, but do not wish to grow. With this survey it was possible to determine which of the self-employed graduates had the intention to grow their businesses in future, as they were asked to indicate whether they plan to increase their number of employees or not. In this report we will refer to those with an intention to increase their number of employees in future as those with a *growth orientation*.

When comparing the self-employed graduates who do not have a growth orientation with those who indicated that they have an intention to grow their businesses, it is clear that a growth orientation mainly occurs in the *earlier stages* of a business. As can be seen in Figure 5.7, in all occupational fields, companies with the *lower mean years of existence*, had the intention to grow in future. This confirms international experience that shows young, small firms grow most rapidly, with growth slowing as enterprises matures (Levy 1998:6). This is promising in the light of the fact that research has indicated that survival rates more than double for firms which grow, and the earlier in the life of the business that growth occurs, the higher the chance of survival (Timmons 1994:13).

Figure 5.7: Mean years of self-employment: Growth versus no growth



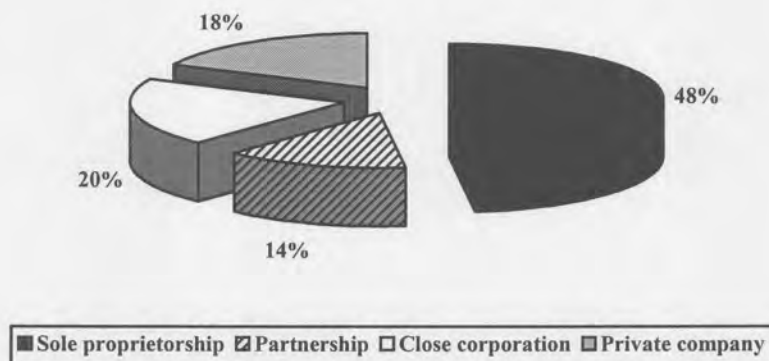
The ANOVA statistical test was used to determine whether there was a significant difference between the levels (growth, stable and scale down) when correlated with the dependent variable (period self-employed) and it indicated that the mean differences were indeed significant at the .05 level.

5.3.3. Form of business self-employed graduates engage in

Self-employed graduates were asked to indicate which form of business they have. Listed options were: A sole proprietorship, a partnership, a close corporation and a private company. For definitions see Chapter 1, paragraph 1.2.2.

Figure 5.8 shows that almost half (48%) of the self-employed graduates were more likely to have a sole proprietorship than any other form of business, as it is the easiest to form and simply an extension of the owner, while all profits go the sole proprietor. This is confirmed in the literature (Dollinger 1995:317). A close corporation (20%) and a private company (18%) were almost equally chosen as form of business. Partnerships were formed by 14% of self-employed graduates.

Figure 5.8: Form of business self-employed graduates engage in



5.3.3.1. Form of business self-employed graduates engage in, according to occupational field

The form of business self-employed graduates engaged in, varied according to occupational field as can be seen in Table 5.6. In most occupational fields (except in the legal field, chartered accounting field and engineering and related fields), a sole proprietorship was the form of business that most self-employed graduates engaged in. A sole proprietorship was especially prominent (71%) among those in the social sciences and HR field. Half of those in

the chartered accounting field and more than a third (36%) in the legal field, however, preferred to be in a partnership, as it is easy and not too expensive to form a partnership and partners support each other financially.

Almost a third (31%) of self-employed graduates in the engineering and related field were in private companies, as private companies have taxation advantages and a private company can be adapted for larger and smaller businesses. Those in the information technology field were almost equally divided between a sole proprietorship (42.7%) and a close corporation (41.9%). The advantage of a close corporation lies in the easy transfer of ownership, taxation against company tariffs and no requirement for an external auditors' report.

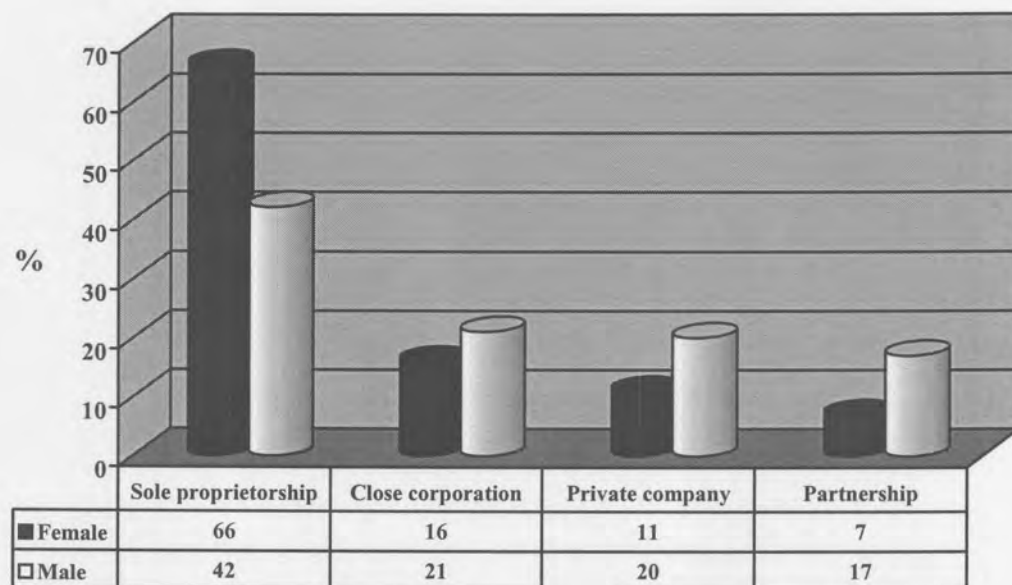
Table 5.6: Form of business according to occupational field

Occupational field		Form of business				Total
		Sole proprietorship	Partnership	Close corporation (CC)	Private company	
Natural science	n	528	126	437	408	1500
	%	35.2	8.4	29.1	27.2	100
IT	n	555	53	545	147	1299
	%	42.7	4.1	41.9	11.3	100
Engineering & related	n	1687	824	1708	1904	6124
	%	27.6	13.5	27.9	31.1	100
Agriculture & related	n	3836	940	837	736	6349
	%	60.4	14.8	13.2	11.6	100
Vet. Science	n	331	124	133	4	592
	%	55.9	21.0	22.5	0.7	100
Medical & Dental	n	3559	1208	177	600	5544
	%	64.2	21.8	3.2	10.8	100
Suppl. Med. Services	n	1844	223	855	392	3314
	%	55.6	6.7	25.8	11.8	100
Social sciences & HR	n	4960	201	1172	608	6940
	%	71.5	2.9	16.9	8.8	100
Publish, advertise & arts	n	1783	181	760	216	2940
	%	60.6	6.2	25.9	7.3	100
Business	n	4227	762	3549	3057	11596
	%	36.5	6.6	30.6	26.4	100
Legal	n	1228	1245	67	923	3462
	%	35.5	36.0	1.9	26.7	100
Chartered Accounting	n	1009	1627	280	344	3259
	%	30.9	49.9	8.6	10.6	100

5.3.3.2. Form of business self-employed graduates engage in, according to gender

Male and female self-employed graduates differed to a certain extent with regard to the form of business they engaged in, as indicated in Figure 5.9. Both females and males predominantly had a sole proprietorship, although two-thirds (66%) of the female self-employed graduates owned this form of business as opposed to 42% among the males. The rest (58%) of the males were almost equally divided between the other three forms of business, while the rest of the females were more inclined to form close corporations (16%) rather than private companies (11%) and the least to be co-owners (7%) in a partnership. Partners in a partnership have all to contribute equally to the finances in the partnership. In the past females had less access to finance than males did and this contributed in fewer opportunities available for becoming part of existing partnerships (Paragraph 2.4.2).

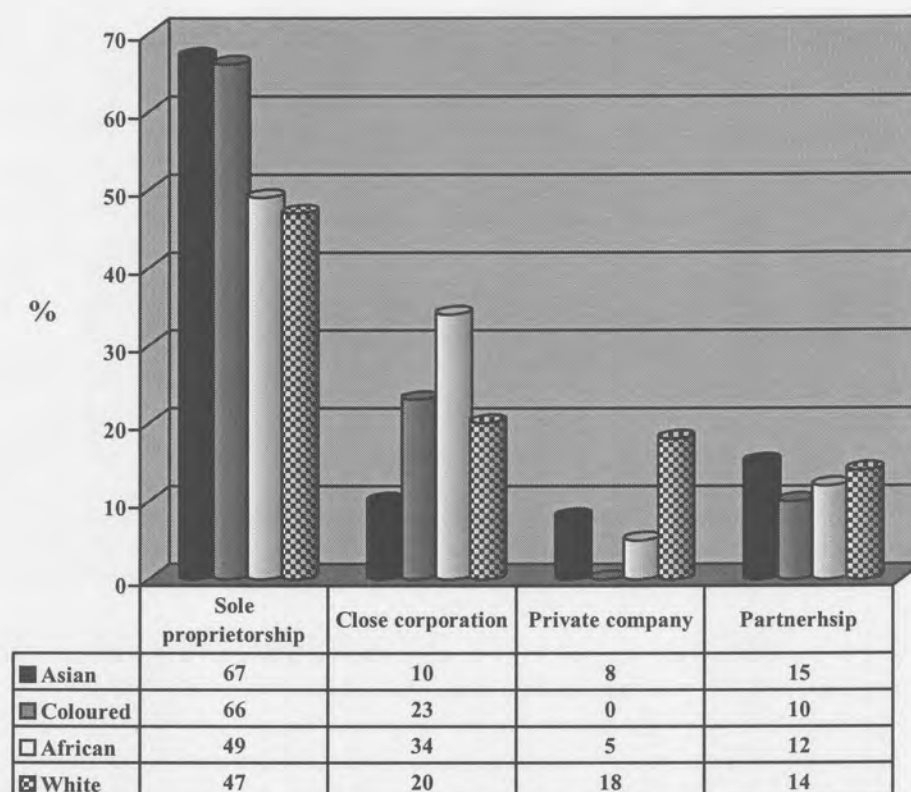
Figure 5.9: Form of business among self-employed graduates, according to gender



5.3.3.3. Form of business, according to population group

Self-employed graduates in the four population groups did not vary much as regard to the main form of business they engaged in, but there were differences as regard to the *secondary* form of business, as indicated in Figure 5.10. A sole proprietorship featured the strongest among all population groups. A close corporation (CC) was the form of business that were chosen by the second highest percentage of self-employed graduates in all population groups, except the Asian group, which opted slightly more for a partnership (15%) than a CC (10%). Among the Africans, 34% engaged in a CC. Coloureds (10%) and Africans (12%) were the least likely to born partnerships.

Figure 5.10: Form of business, according to population group



5.3.3.4. Form of business among self-employed graduates, according to occupational field and population group

The form of business among self-employed graduates varied to a certain extent, according to occupational field among the population groups, as indicated in Table 5.7. Asians and whites mostly engaged in sole proprietorships in most of the occupational fields, while Africans and coloureds both varied more between the different forms of business:

- in the *IT field*, Africans engaged in private companies (100%), coloureds in CCs (100%), while whites were mostly in sole proprietorships (45%);
- in the *engineering and related field*, whites opted more for a private company (31%), the Asians for a sole proprietorship (56%) and the coloureds for a partnership (78%);
- in the *agricultural and related field*, Africans (100%) engaged in CCs, while other populations groups were in sole proprietorships;
- in the *social sciences and HR field*, Asians (89%) predominantly formed CCs, while Africans (56%) opted for partnerships and whites (73%) went for sole proprietorships;
- in the *business field*, all (but the Africans of which 55% engaged in CCs) were in sole proprietorships;
- in the *legal field*, partnership are formed to a greater extent, except among the Asians (84%), who predominantly engaged in sole proprietorships;
- in the *chartered accounting field*, partnerships featured more among the Asians (41%) and whites (50%), while the Africans opted equally for sole proprietorships and partnerships.

Table 5.7: Form of business among self-employed graduates, according to population group and occupational field

Occupational field		White					Tot	Asian					Tot
		Sole proprietorship	Partnership	CC	Private company			Sole proprietorship	Partnership	CC	Private company		
Natural science	n	528	126	437	408	1500							
	%	35.2	8.4	29.1	27.2	100							
IT	n	555	53	502	137	1246							
	%	44.5	4.2	40.3	11.0	100							
Engineering & related	n	1658	801	1694	1904	6057	24	5	14			43	
	%	27.4	13.2	28.0	31.4	100	55.7	12.3	32.1			100	
Agriculture & related	n	3788	940	808	736	6271	48					48	
	%	60.4	15.0	12.9	11.7	100	100.0					100	
Veterinary science	n	331	124	133	4	592							
	%	55.9	21.0	22.5	0.7	100							
Medical & Dental	n	2590	1028	161	561	4339	839	174	10		34	1057	
	%	59.7	23.7	3.7	12.9	100	79.4	16.4	0.9		3.2	100	
Supplementary Medical Services	n	1664	219	782	392	3057	157	4	63			224	
	%	54.4	7.2	25.6	12.8	100	70.0	1.8	28.1			100	
Social sciences & HR	n	4942	176	1154	534	6806	9				74	83	
	%	72.6	2.6	17.0	7.8	100	10.6				89.4	100	
Publish, advertise & creative arts	n	1711	181	760	216	2868							
	%	59.6	6.3	26.5	7.5	100							
Business	n	3949	708	3358	3003	11018	175	54	108		54	391	
	%	35.8	6.4	30.5	27.3	100	44.9	13.7	27.6		13.8	100	
Legal	n	1056	1221	67	907	3251	171	16			16	204	
	%	32.5	37.6	2.1	27.9	100	84.2	7.9			7.9	100	
Chartered Accounting	n	932	1540	247	333	3052	66	76	33		11	186	
	%	30.5	50.4	8.1	10.9	100	35.3	41.0	17.7		5.9	100	
		African						Coloured					
Natural science	n												
IT	n				10	10				43		43	
	%				100.0	100				100.0		100	
Engineering & related	n						5	19				24	
	%						22.0	78.0				100	
Agriculture & related	n			23		23							
	%			100.0		100							
Veterinary science	n												
Medical & Dental	n	76			6	82	54	6	6			66	
	%	92.7			7.3	100	81.8	9.1	9.1			100	
Supplementary Medical Services	n			10		10	24					24	
	%			100.0		100	100.0					100	
Social sciences & HR	n	9	24	11		44							
	%	20.0	55.8	24.3		100							
Publish, advertise & creative arts	n						72					72	
	%						100.0					100	
Business	n	48		58		106	55		26			81	
	%	45.3		54.7		100	68.3		31.7			100	
Legal	n							8				8	
	%							100.0				100	
Chartered Accounting	n	11	11			22							
	%	50.0	50.0			100							

5.3.4. Staff complement

Respondents were asked to indicate the size of their businesses in terms of the number of employees. According to the National Small Business Act (102/1996):

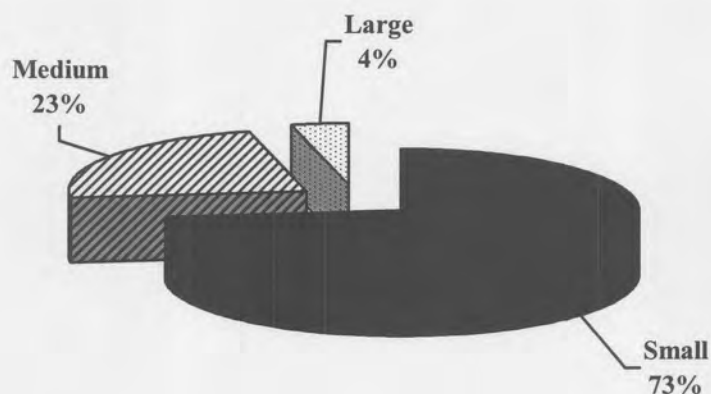
- *micro* refers to businesses with 5 employees;
- *very small* refers to businesses with 10 to 20 employees;
- *small* refers to businesses with 50 employees; and
- *medium* refers to businesses with 100 to 200 employees.

In this report:

- *micro* to *very small* (1-10 employees) are referred to as *small*;
- *small* to *medium* (11 to 100 employees) are referred to as *medium* businesses; and
- *large* (101 to over a 1000 employees), are referred to as *large* businesses, as this will give us a more even distribution in the three categories.

It is indicated in Figure 5.11 that self-employed graduates predominantly had *small* companies (73%). *Medium* size businesses made up 23%, while 4% only had *large* companies.

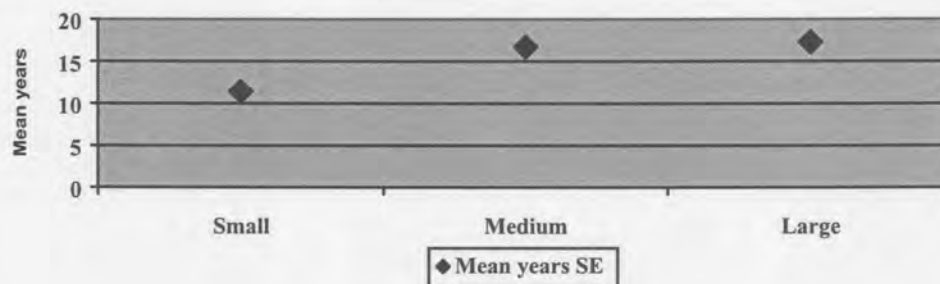
Figure 5.11: Size of self-employed graduates' businesses



5.3.4.1. Size of self-employed graduates' companies, according to maturity (number of years in self-employment)

As indicated in Figure 5.12, the *larger* businesses were the more mature businesses (17 mean years of self-employment). *Medium* size businesses were slightly less mature than larger businesses (16 mean years of self-employment). The less mature a business (11 mean years of self-employment), the *smaller* the business. It has been indicated in paragraph 5.3.2. that growth is taking place in the *less mature* businesses and thus the smaller businesses. This is also confirmed in paragraph 5.3.4.2. to follow.

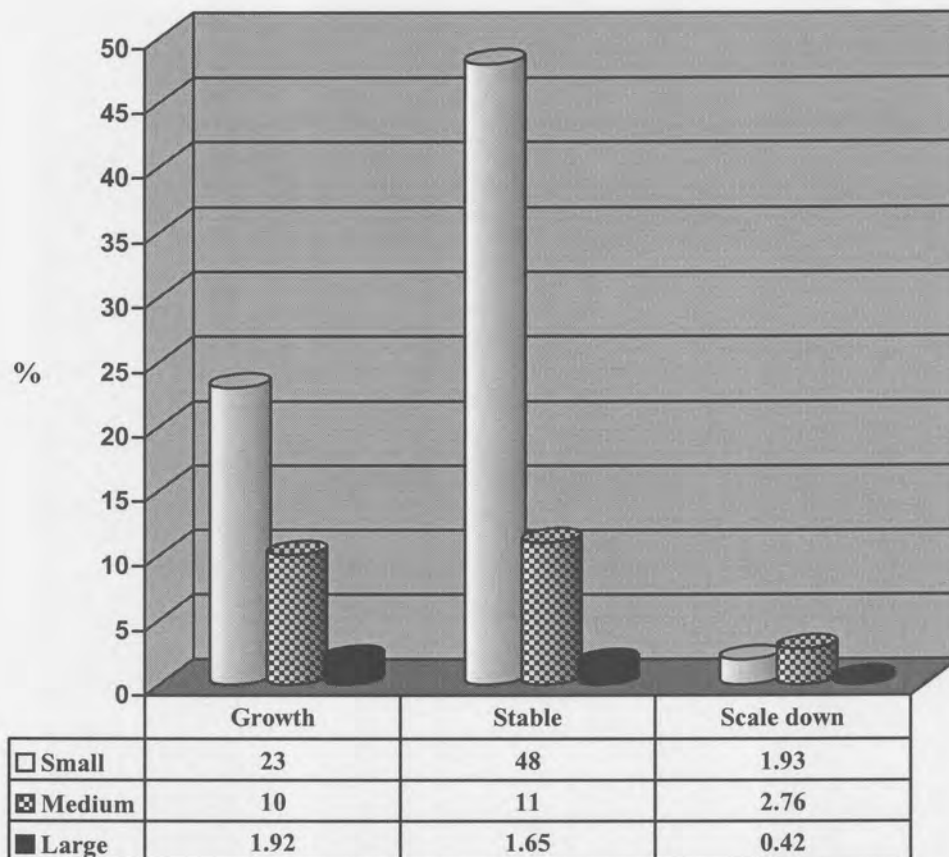
Figure 5.12: Mean years of self-employment, according to the size of businesses



5.3.4.2. Present size of self-employed graduates' companies in relation to future growth, stability or down sizing

The growth lies in smaller companies and to a smaller extent in medium size companies, as shown in Figure 5.13. However, it was found that very few newly established and small firms show any considerable growth, and it is only a few small firms which amount for a major share of all new jobs, while most new firms are born small and stay small (Chapter 1, paragraph 1.2.2). This was confirmed in this study, as most companies (60%) were staying stable, while about a third (34%) intended to grow in future. Among those who intended to increase their staff complement, almost a quarter (23%) was small businesses. Only 2% of those who intended to grow, were large companies. Among the few (5%) that were scaling down, it was mostly medium sized companies (3%) that planned to do so.

Figure 5.13: Future changes in the size of self-employed graduates' businesses



5.3.4.3. Future growth, stability or down sizing, according to occupational field

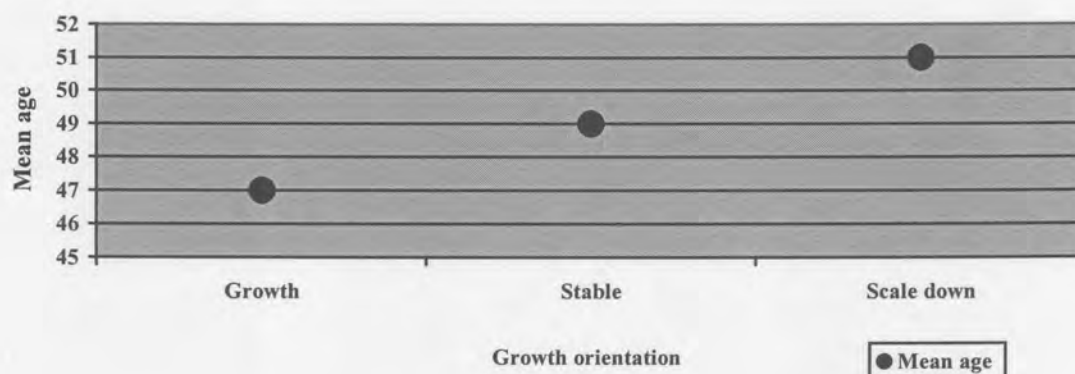
Future increase in the size of companies, was concentrated in certain occupational fields, while in the majority of occupational fields, neither growth nor scaling down was expected, as can be seen in Table 5.8. Job creation is taking place to a certain extent in the chartered accounting field (48%); business field (46%); and the natural science field (43%), as nearly half of the self-employed graduates in these occupational fields had the intention to increase the number of employees in their businesses. Down sizing is taking place to the greatest extent in the agricultural and related field (10%) and the engineering, building and related field (10%). In most of the occupational fields though, businesses were staying *stable*.

Table 5.8: Future changes in the size of firms, according to occupational field

Occupational field	Growth		Stable		Scale down		Total	
	n	%	n	%	n	%	n	%
Natural science	641	43.0	794	54.0	48	3.0	1483	100
IT	485	38.0	794	62.0	10	1.0	1289	100
Engineering & related	1951	32.0	3626	59.0	599	10.0	6176	100
Agriculture & related	2199	34.0	3632	56.0	616	10.0	6447	100
Veterinary science	188	32.0	400	67.0	8	1.0	596	100
Medical & Dental	806	15.0	4541	82.0	201	4.0	5548	100
Supplementary Medical Services	1076	33.0	2040	63.0	132	4.0	3248	100
Social sciences & HR	2109	31.0	4445	66.0	224	3.0	6777	100
Publish, advertise & creative arts	628	20.0	2543	80.0	0	0.0	3171	100
Business	5422	46.0	5731	49.0	552	5.0	11704	100
Legal	1266	37.0	2015	58.0	182	5.0	3463	100
Chartered Accounting	1533	48.0	1549	48.0	143	4.0	3225	100

5.3.4.4. Future growth, stability or down sizing, according to age

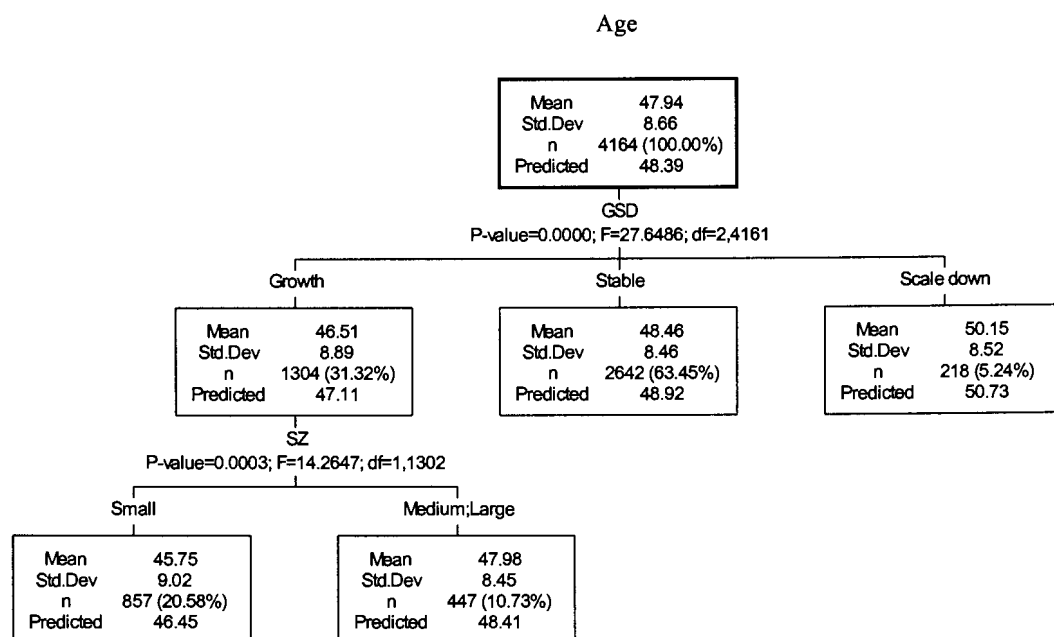
The age of self-employed graduates did play a role in the intention to grow or not to grow, as shown in Figure 5.14. In growth-orientated businesses, self-employed graduates had a lower mean age. The older the self-employed graduates were, the more the tendency was to scale down.

Figure.5.14: Future change in business size, according to mean age

CHAID was used here to explore what subgroups, in terms of size and growth, are more homogeneous in terms of their age distribution than the total sample. Table 5.9. shows how such subgroups were formed.

In the *growth* group, the mean age was 46.51 (the youngest), in the *stable* group, the mean age was 48.46, while in the group that planned to *scale down*, the mean age was 50.15 (the oldest). In the *stable* and *scale down* groups there were no significant age differences among firms with different sizes. In the *growth* group there were significant age differences among respondents in firms with different sizes. In small organisations that planned to grow the mean age was 45.75, while the mean age of the medium/large group that planned to grow, was 47.98.

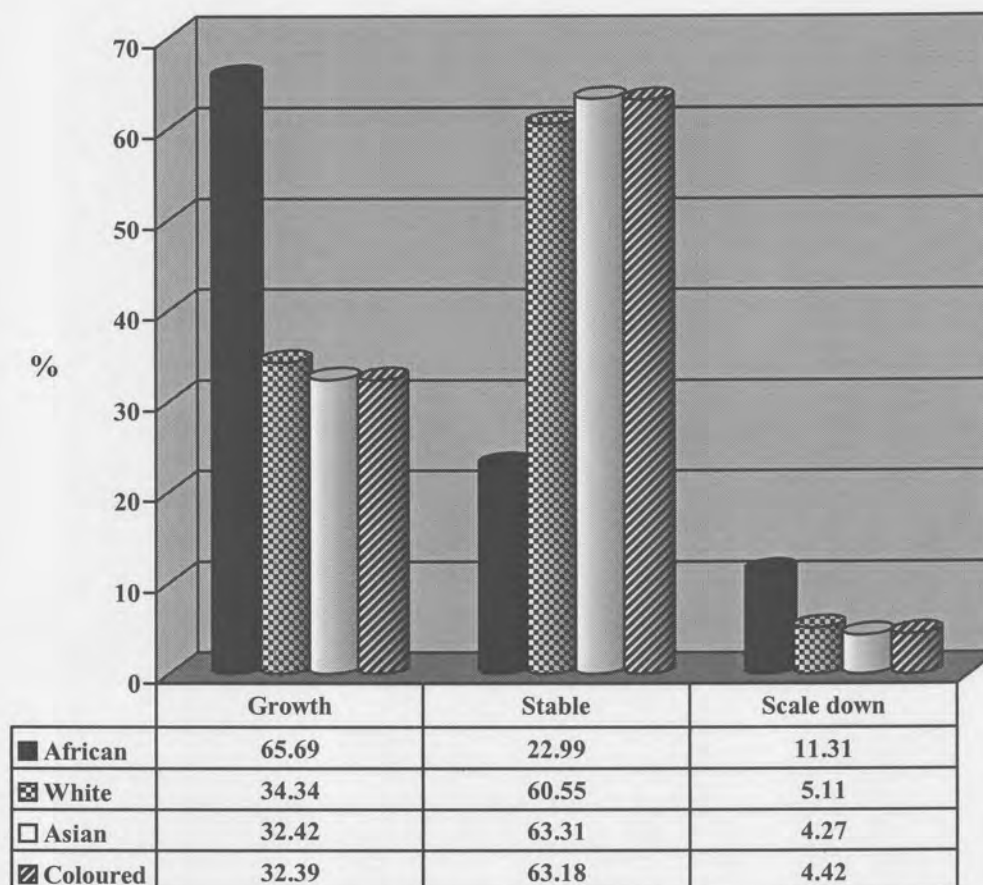
Table 5.9: CHAID test for relationship between age, size and growth of businesses



5.3.4.5. Future growth, stability or down sizing, according to population group

Future change in the size of self-employed graduates' companies were planned more among the African than the coloured, Asian or white companies, as indicated in Figure 5.15. Self-employed graduates' businesses in all population groups (except the Africans) were mainly *stable*, as about two-thirds among the whites, Asians and coloureds were planning to stay the same size. Two-thirds (66%) of the *Africans* were planning to *grow* in future, although more businesses among the Africans (11%) than among the whites (5%), Asians (4%) and coloureds (4%) were scaling down also.

Figure 5.15: Future change in the size of firms, according to population group

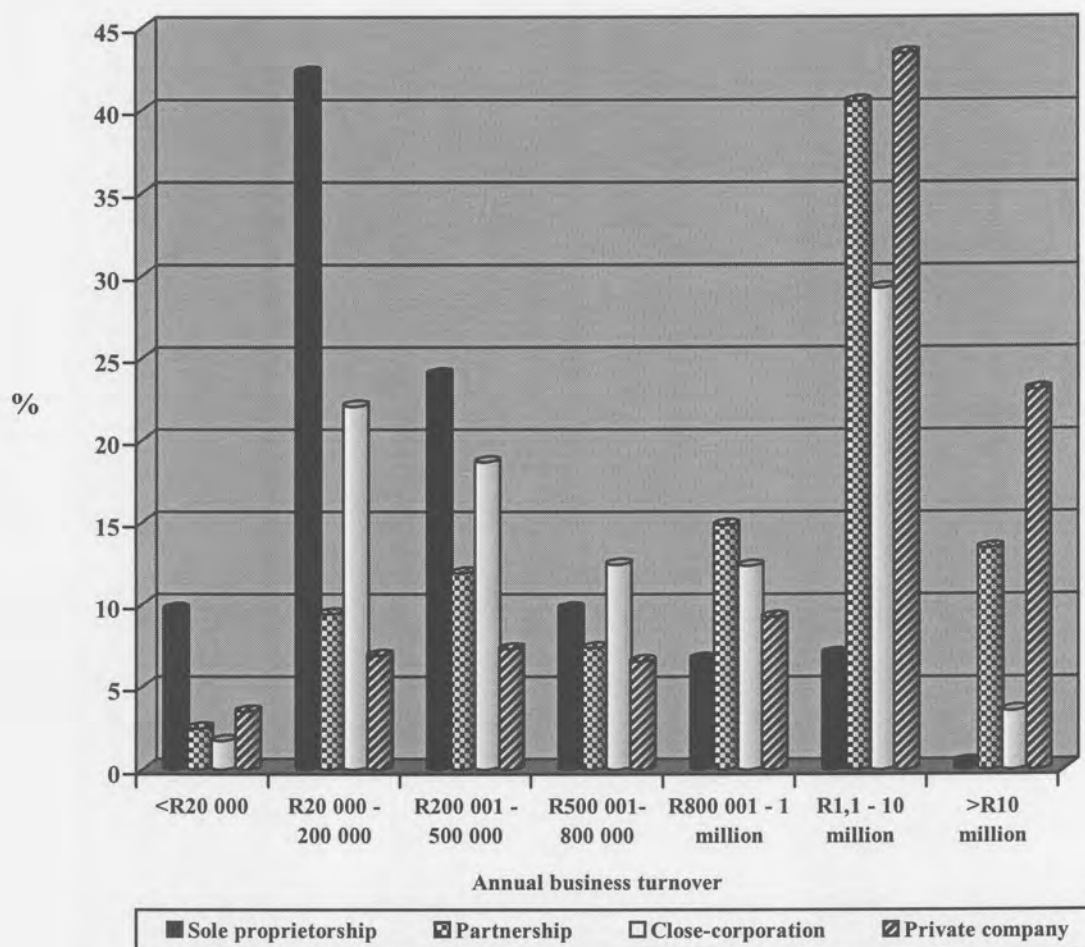


5.3.5. Self-employed graduates' annual business turnover

Self-employed graduates were asked to indicate which form of business they engage in as well as what the annual business turnover of their businesses was. Annual business turnover varied according to the form of business self-employed graduates engaged in, as can be seen in Figure 5.16:

- for a *sole proprietorship*, in which most self-employed graduates engaged, the median, annual business turnover was approximately R150 000;
- for a *close corporation*, the median, annual business turnover was approximately R650 000;
- for those in a *private company*, or *partnership*, the median, annual business turnover was about R2,5 million.

Figure 5.16: Annual business turnover, according to form of business



5.3.5.1. Annual business turnover of self-employed graduates who have the intention to increase the number of employees in their businesses in future.

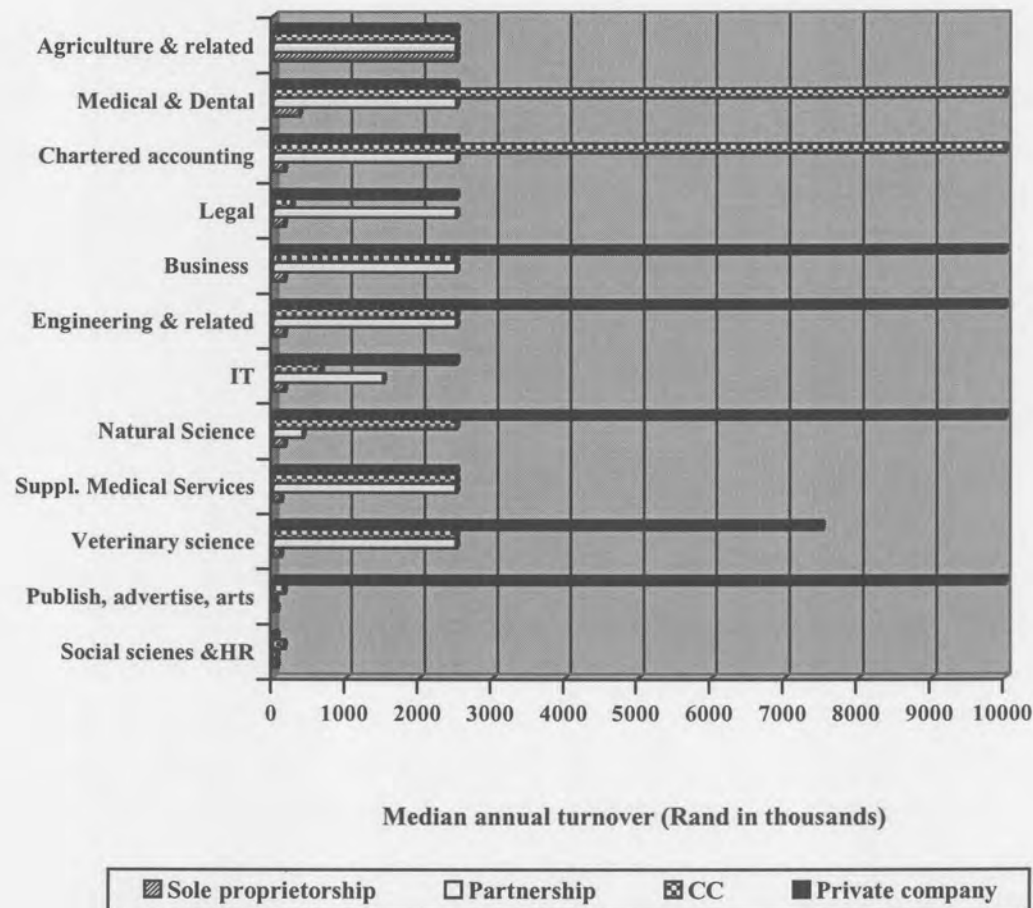
It has been found that *partner ventures* start larger and grow faster than their counterparts run by loners (Chapter 2, paragraph 2.3.2.2). It has also been indicate that those in partnerships have higher turnovers (paragraph 5.3.5). This study found that the intention to increase or not to increase the number of employees in a company, does correspond with the annual, business turnover, as the group of self-employed graduates with a growth orientation, had a higher median, annual business turnover (R7,5 million). The self-employed graduate group that did not intend to increase their staff complement had a median, annual business turnover of R75 000.

5.3.5.2. Annual business turnover, by form of business and occupational field

Annual business turnover varied according to form of business together with occupational field, as shown in Figure 5.17:

- self-employed graduates in the business field; engineering & related field; natural science field; veterinary science field; and publish, advertise & arts field had the largest median, annual business turnover in a *private company*;
- those in the medical & dental field, chartered accounting field and social sciences and HR field, made more money in a *close corporation (CC)*;
- in the legal field, information technology field and supplementary medical services, a *partnership* was more profitable;
- although a *sole proprietorship* was the least profitable form of business, except in the agricultural & related field, most self-employed graduates engaged in this form of business, because it is the least expensive and least complicated form business to register. A sole proprietor also has to adhere to the minimum regulatory requirements and all profit goes to the owner.

Figure 5.17: Median, annual business turnover by form and occupational field



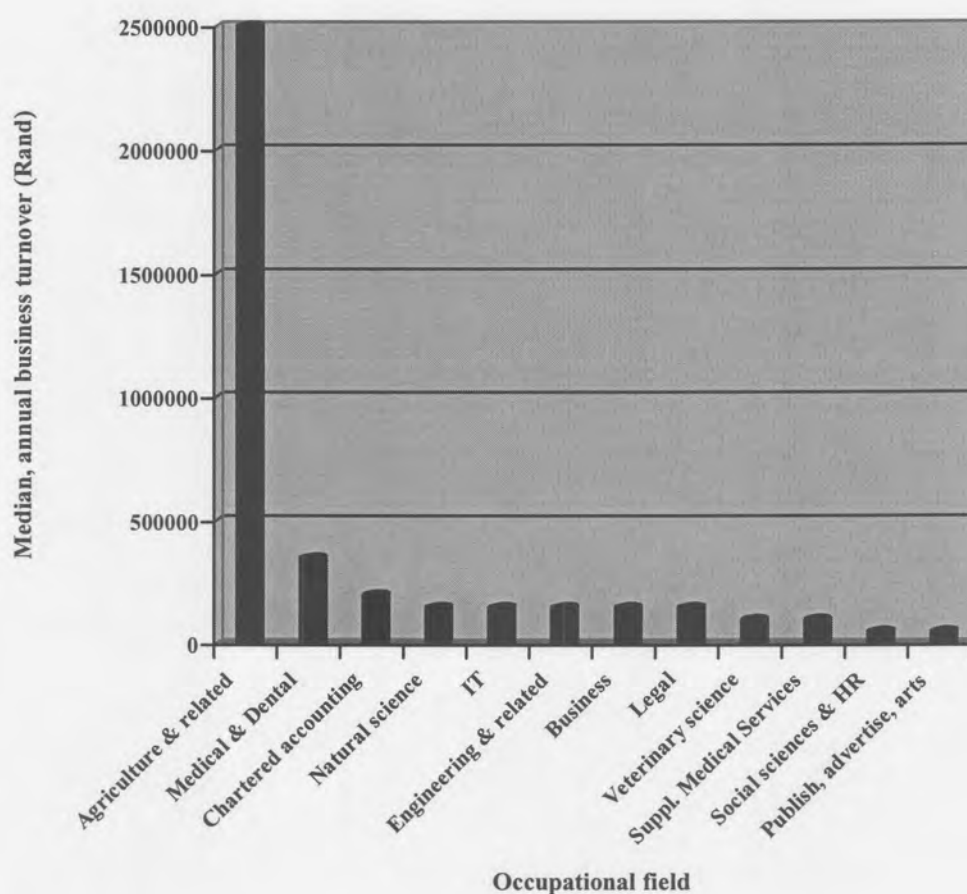
5.3.5.3. Self-employed graduates' annual business turnover in a sole proprietorship, according to occupational field

As almost half of the self-employed graduates had sole proprietorships, annual business turnover, according to occupational field, will be analysed in more detail for sole proprietorships only, as indicated in Figure 5.18:

- self-employed graduates who were in a sole proprietorship, earned the highest median, annual business turnover in the agricultural and related field (R2,5 million); medical and dental field (R350 000); and the chartered accounting field (R200 000);

- in the rest of the occupational fields (except in the social sciences and HR field, and the publishing, advertising and creative arts field), the median, annual business turnover was about R150 000;
- in the social sciences and HR field as well as the publish, advertise and arts field, the median, annual business turnover was approximately R50 000.

Figure 5.18: Median, annual business turnover of self-employed graduates in a sole proprietorship

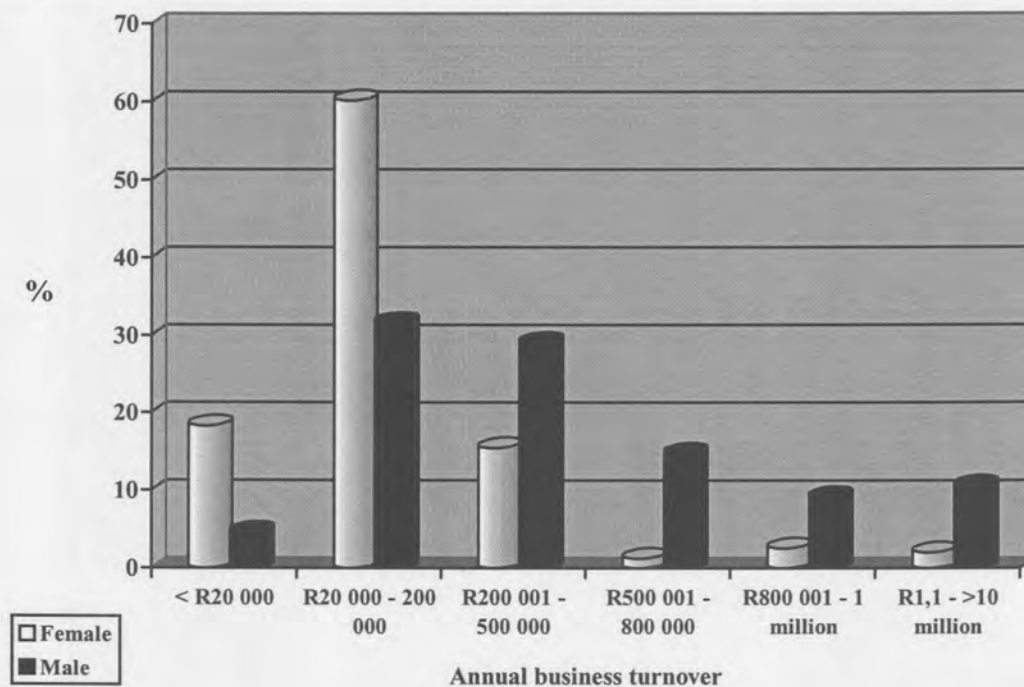


5.3.5.4. Self-employed graduates' annual business turnover in a sole proprietorship, according to gender

There was quite a significant difference in the annual business turnover of self-employed male and female graduates in a sole proprietorship. Female graduates in a sole proprietorship had a median annual business turnover of R75 000. Male graduates in a sole proprietorship

had a median annual business turnover of R350 000. As can be seen in Figure 5.19, females were in the majority only in the lower turnover brackets.

Figure 5.19: Annual business turnover in a sole proprietorship, according to gender

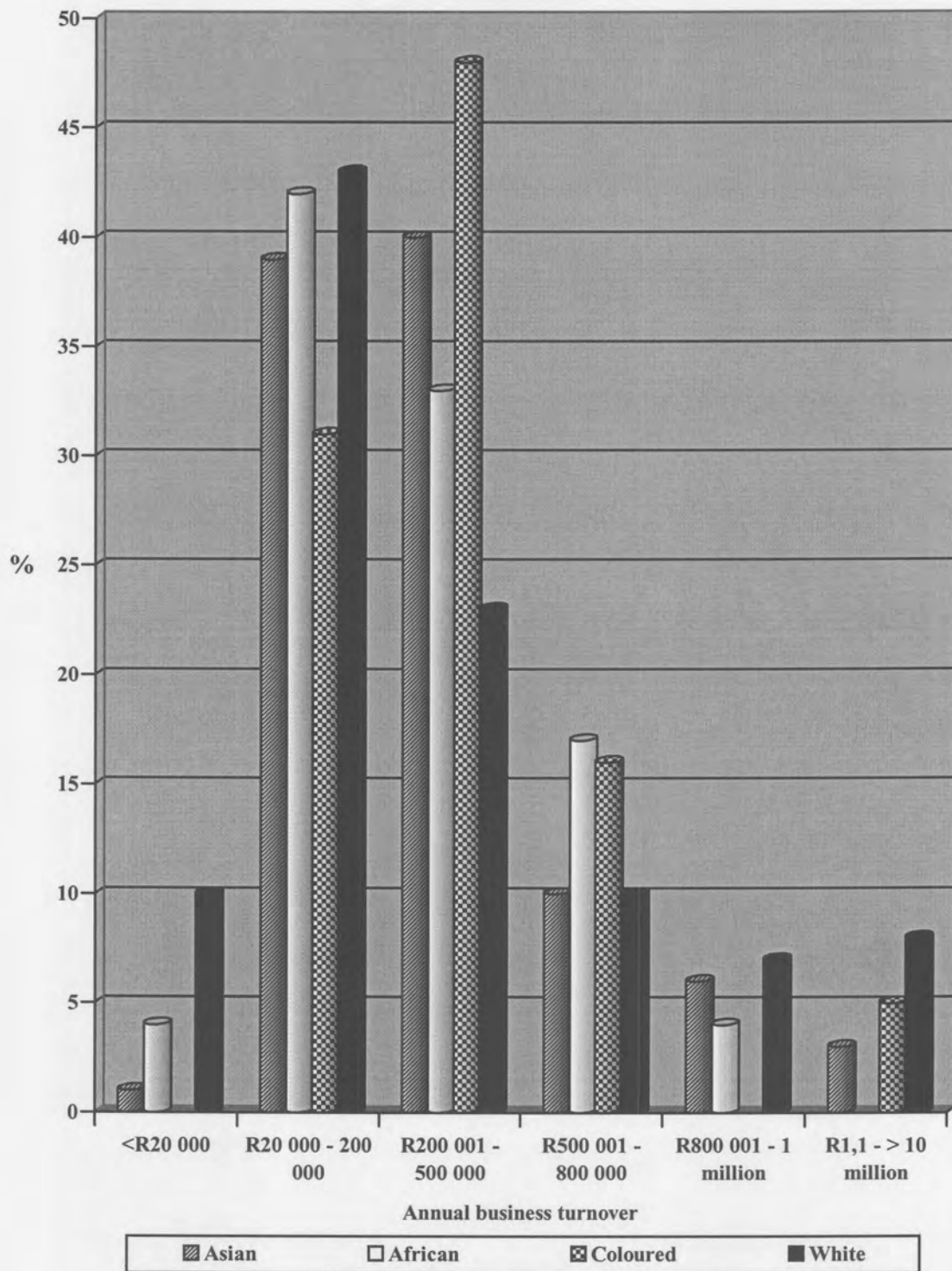


5.3.5.5. Self-employed graduates' annual business turnover in a sole proprietorship, according to population group

Annual business turnover did not differ to a great extent among the various population groups, although whites and Asians were more evenly spread, while the Africans and coloureds were more in the middle turnover brackets, as indicated in figure 5.20:

- about half (48%) of the coloured self-employed graduates and 40% of the Asian self-employed graduates in a sole proprietorship, had an annual business turnover of about R350 000;
- most African (42%) and white (43%) self-employed graduates fell in the R90 000 turnover bracket;
- whites, however, had a greater representation in the higher turnover brackets, than the other population groups.

Figure 5.20: Annual business turnover of graduates in a sole proprietorship, by population group



5.4. Skills that are important for self-employment and entrepreneurship

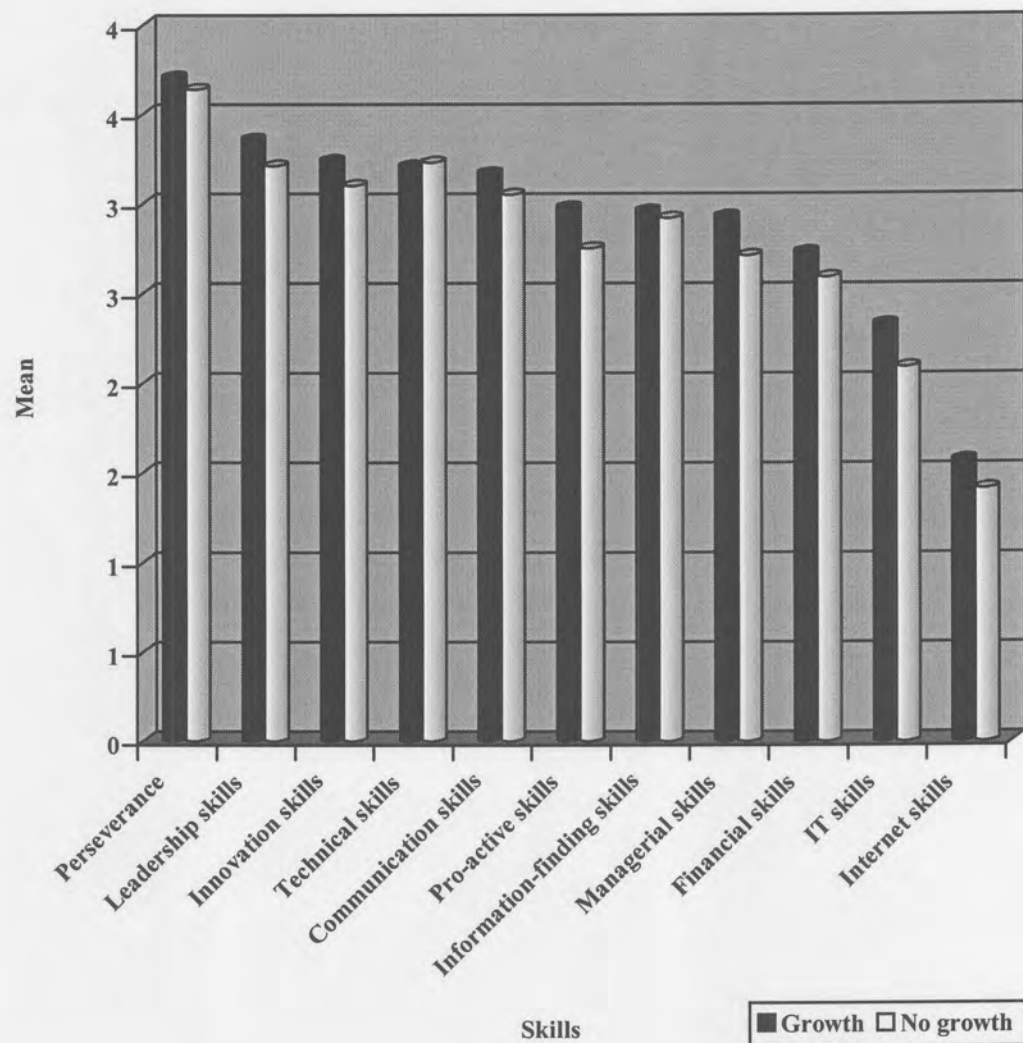
In the literature, certain skills were identified as being important in becoming self-employed. These were listed and respondents were asked along a 5-point Likert-type scale about the degree to which they agree that the skill in question is important in becoming self-employed. Skills that were listed are: Managerial skills, technical skills, communication skills, proactive skills, financial skills, information technology (IT) skills, perseverance, leadership skills, Internet skills, information-finding skills, and innovation or creative skills. Self-employed graduates with a growth orientation are compared with those who do not have an intention to grow in future.

In comparing self-employed graduates with a *growth orientation* with those who do not intend to grow, it is clear in Figure 5.21 that certain skills are required to a greater extent when growth is planned than when growth is not envisaged:

- *perseverance* was seen by self-employed graduates as the most important quality to have when becoming self-employed;
- it is important to have *leadership*, although leadership was rated higher among those with a growth orientation than those who did not intend to increase their staff complement. This is in line with previous research that was done on facilitators of organisational innovation and indicates that strong leadership is important in a start-up, but also for further growth (Chapter 2, paragraph 2.3.3 and 2.3.8);
- *technical skills*, that were acquired mainly through tertiary training, were also rated high, although more important among those with no growth intention than among those with a growth orientation. Leadership and innovation skills were rated higher than technical skills among those with a growth intention than those with no intention to grow. This is in line with previous research, which indicated that in many cases new leaders are needed to help with successful stage transitions and not narrow technical views (Chapter 2, paragraph 2.3.5);
- *innovation or creative* skills were important to self-employed graduates, although more so than technical skills among growth orientated businesses;
- *communication skills* were also rated high and slightly higher for those who intend to grow than for those with no intention to do so;
- to be *pro-active*, were seen more of an asset by growth orientated self-employed graduates, than those who indicated to stay stable or scale down;

- *managerial skills* were also more important to those with the intention to grow than to those who prefer to stay stable or decline;
- *financial skills*, *IT skills*, and *Internet skills* were rated in the same order among the two groups, although slightly higher for each of these skills among those who intend to grow in future.

Figure 5.21: Skills that are important in becoming self-employed



5.4.1. Hypothesis testing

5.4.1.1. MANOVA (Multivariate analysis of variance) was used to test the theoretical proposition:

Entrepreneurs (those with a growth orientation) and successful self-employed graduates are similar in many ways, but there are certain skills that distinguish entrepreneurs from successful self-employed graduates in general.

Statistical null hypothesis:

H_0 = There are no differences between the *growth* group and the *non-growth* group as regard to the listed variables (*Managerial skills, technical skills, networking skills, communication skills, proactive skills, financial skills, computer skills, perseverance skills, leadership skills, internet skills, information-finding skills, and creative skills*).

Statistical alternative hypothesis:

H_a = The *growth* group differs with regard to the listed variables (*Managerial skills, technical skills, networking skills, communication skills, proactive skills, financial skills, computer skills, perseverance skills, leadership skills, internet skills, information-finding skills, and creative skills*) from the *non-growth* group.

As can be seen in Table 5.10, the *p*-value is smaller than 0.001, which means that looking at the variables simultaneously; the *growth* group and the *non-growth* group differed significantly. Therefore the alternative hypothesis (H_a) is accepted.

Table 5.10: MONOVA (Multivariate analysis of variance): Hypothesis testing

Multivariate Tests					
	Value	F	Hypothesis df	Error df	Sig.
MANOVA test statistic	0.972	7.299	12.000	3061.000	<0.001

5.4.1.2. The T-Test was used to determine whether there is a statistically significant difference between the values allocated to the individual skill variables by the two groups (the growth group and non-growth group). The mean difference of the two groups did differ significantly as indicated in Table 5.11. Values smaller than 0,05 (under the *Sig.* column in Table 5.11) indicate that there is a significant difference at the five percent level of confidence. Self-employed graduates regarded the listed skills as more crucial when future growth was envisaged. All skills listed became more important as growth were planned, except perseverance, information-finding skills and technical skills that were almost of equal importance to the two groups. The skills listed can thus be regarded as crucial skills for entrepreneurship.

Table 5.11: T-Test: Values allocated to skills by the *growth* and the *non-growth* group

Skills	t-test for Equality of Means			
	t	df	Sig. (1-tailed)	Mean Difference
Networking	10.206	3830	<0.001	0.33
Communication	5.467	4010	<0.001	0.15
Pro-active	9.516	2527.269	<0.001	0.29
Fiancial	8.036	4031	<0.001	0.25
IT	9.818	2469.072	<0.001	0.34
Perseverance	2.353	2661.646	0.010	4.57E-02
Leadership	7.316	4050	<0.001	0.18
Internet	7.571	2116.515	<0.001	0.21
Information finding	2.91	2580.609	0.002	8.87E-02
Innovation	6.323	4021	<0.001	0.17
Managerial	9.653	2593.209	<0.001	0.3
Technical	-1.189	3733	0.117	-3.97E-02

Statistical null hypothesis:

H_0 = There is no difference between the *growth* group (entrepreneurs) and the *non-growth* group as regard to the value that each adheres to each individual variable (managerial skills, technical skills, networking skills, communication skills, proactive skills, financial skills, computer skills, perseverance skills, leadership skills, internet skills, information-finding skills, and creative skills).

Statistical alternative hypothesis:

H_a = The *growth* group adheres more value to each individual variable (managerial skills, technical skills, networking skills, communication skills, proactive skills, financial skills, computer skills, perseverance skills, leadership skills, internet skills, information-finding skills, and creative skills) than the *non-growth* group.

As can be seen in Table 5.11, the mean difference, for instance *communication* and *leadership*, is positive. This means the *growth* group scored higher than the *non-growth* group and it shows the mean difference is statistically significant (p -value is smaller than 0.05). Therefore the alternative hypothesis (H_a) is accepted.

5.4.2. Leadership and time self-employed

According to the ANOVA test, there is a statistical significant difference between the means of the quantitative variable (*time self-employed*) for the different levels of the categorical variable (*leadership*) as indicated in Table 5.12. In the start-up phase, leadership is most crucial in order to lead others to follow innovative ideas and adapt to changes (also see Chapter 2, paragraphs 2.3.3 – 2.3.4).

Table 5.12: Univariate Analysis of Variance: Time self-employed and leadership

Tests of Between-Subjects Effects						
Dependent Variable: Time self-employed						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	
Corrected Model	2181.877	3	727.292	9.457	0	
Intercept	136536.084	1	136536.084	1775.345	0	
Leadership	2181.877	3	727.292	9.457	0	
Error	295398.937	3841	76.907			
Total	909854	3845				
Corrected Total	297580.814	3844				

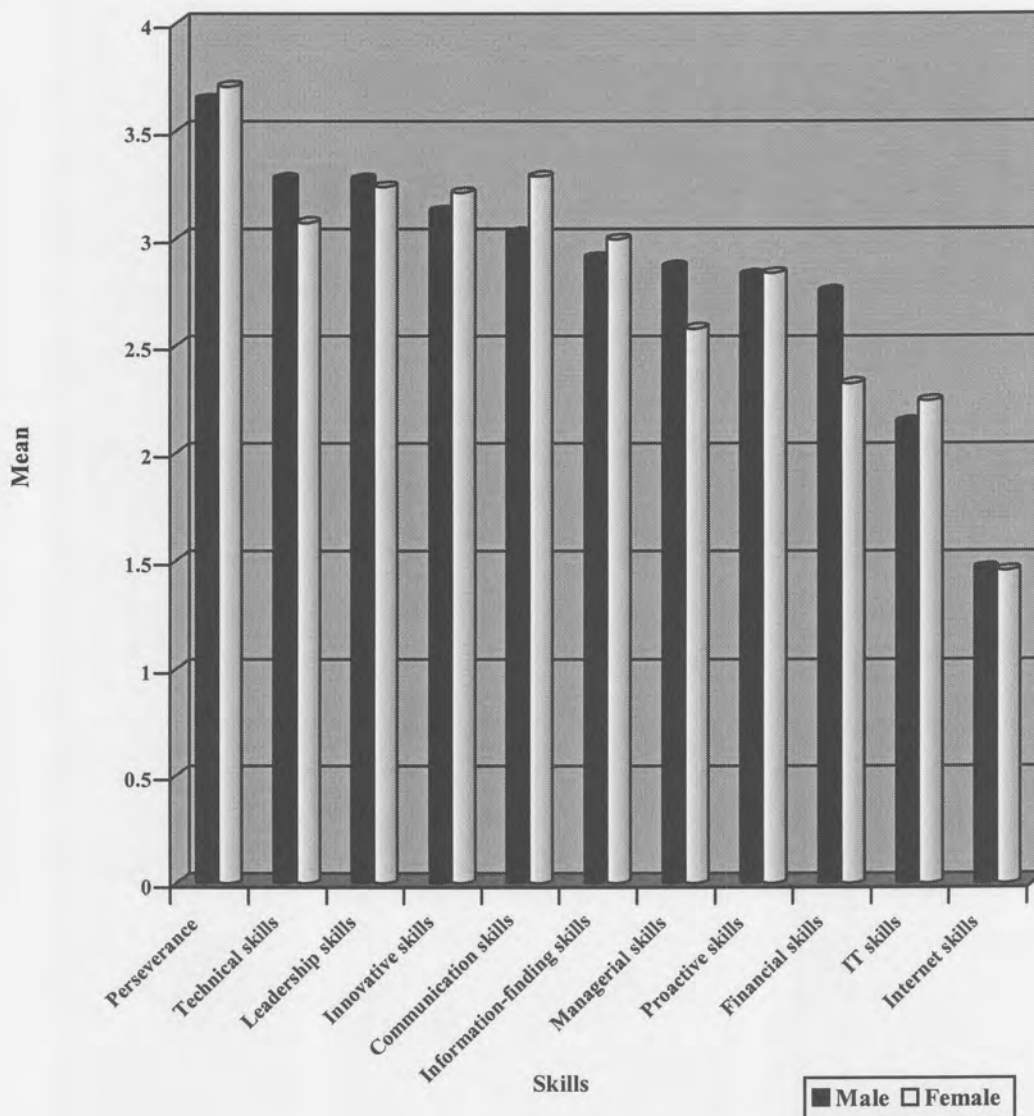
a R Squared = .007 (Adjusted R Squared = .007)

5.4.3. Skills required for self-employment, according to gender

Male and female self-employed graduates agreed to a large extent on the skills that are required in becoming self-employed with some difference in degree and some exceptions as can be seen in Figure 5.22:

- both males and females saw *perseverance* as the most important quality to have when becoming self-employed;
- however, females regarded *communication skills* as the second most important skills to have, while males rated *technical skills* higher. Females, as has been indicated in the literature review, have to catch up on networking (Chapter 2 paragraph 2.4.2) and they are putting words into actions;
- both females and males rated *leadership and innovative* skills high (in this order). Females, however, regarded technical skills less important than leadership and innovative skills, while males placed more emphasis on technical skills than leadership and innovative skills;
- males rated *managerial skills* slightly higher than *proactive skills* as opposed to females that regarded proactive skills slightly more important than managerial skills. It was indicated in the literature that managerial skills tend to become more important as a business matures, while innovative and leadership skills tend to be crucial in especially the start-up phase (paragraph 5.4 & Chapter 2, paragraph 2.3.3). It was found that that there was more of a growth in female self-employment than male self-employment (Chapter 1, paragraph 1.2.3) and many female businesses were thus still in the start-up phase when it is important to be proactive in order to obtain opportunities, while many male business were at the mature phase where more sophisticated management is required (paragraph 2.3.4 - 2.3.5).

Figure 5.22: Skills required for self-employment, according to gender

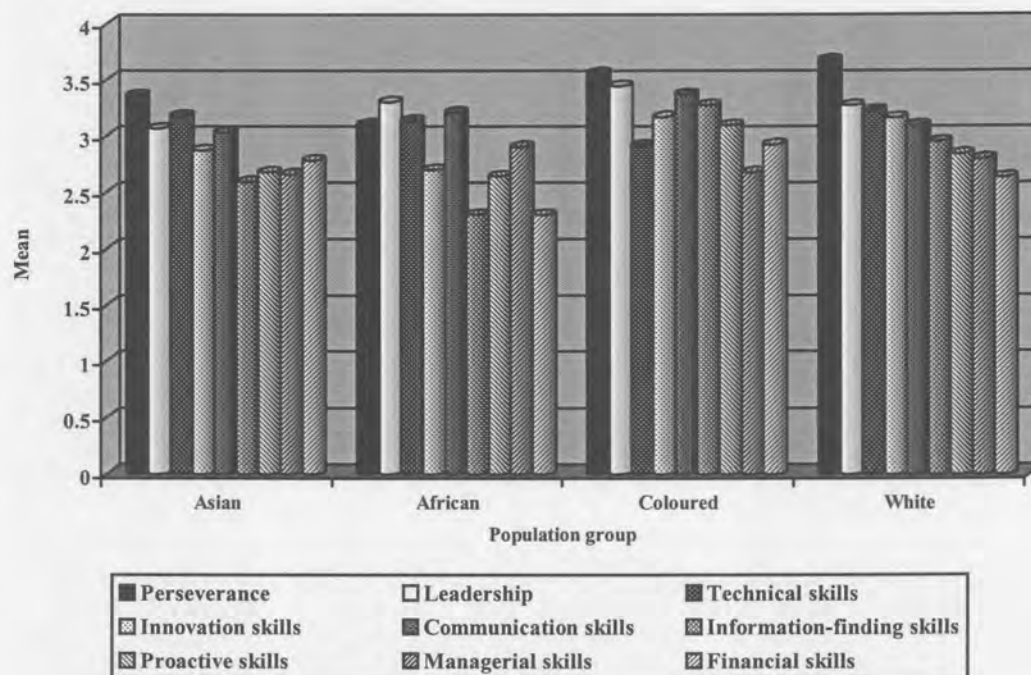


5.4.4. Skills required for self-employed, according to population group

Self-employed graduates in the four population groups agreed to a great extent on most of the skills that were important in becoming self-employed, although there were some skills that were definitely more important among certain population groups than others, as indicated in Figure 5.23.

Communication skills were definitely regarded as very crucial among the coloureds, Africans and Asians that need to build-up networks in order to get access to markets (Chapter 2, paragraph 2.3.2 & 2.6.2). Leadership skills that are very important in especially the start-up phase (paragraph 2.3.3, were also rated higher among Africans and coloureds. Africans regarded managerial skills higher than the other groups did. Coloureds found information finding skills most helpful. Asians and whites realised best, the importance of technical skills. Whites saw perseverance as most crucial.

Figure 5.23: Skills required for self-employment, according to population group



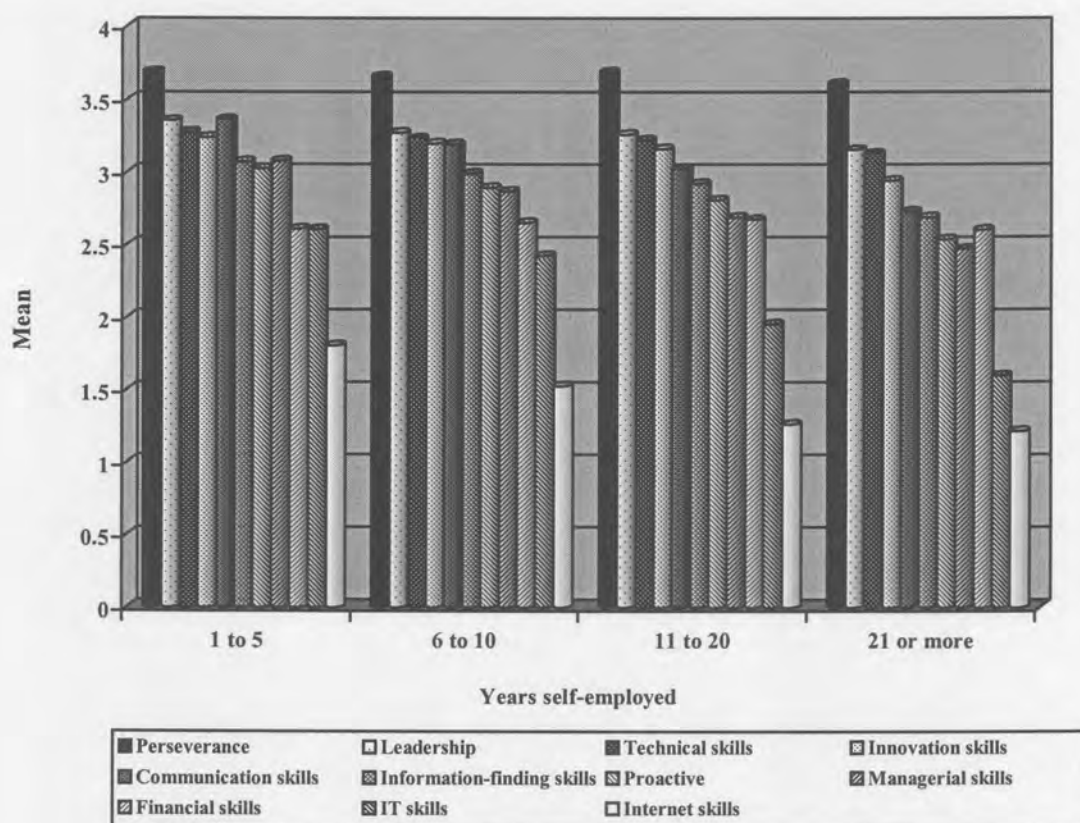
5.4.5. Importance of skills, according to the number of years that graduates are in self-employment

It has been found that life-cycle stages of a firm have important effects on innovation in an organisation. Factors that facilitate innovation at the inception of a firm may actually hinder it in later stages (Chapter 2, paragraph 2.3.3). Although respondents were asked to indicate which skills they had when they first became self-employed, it does seem that there is a slight change in accent that is placed on the various skills by businesses at different stages as is

indicated in Figure 5.24. This is in line with findings that centralised leadership for instance may contribute to innovativeness in a firm's early stages, but that an adjustment in management style may be needed as a firm matures (paragraph 2.3.4 – 2.3.5).

Perseverance was important, no matter for how long you have been self-employed. *Communication* got a high rating at all stages, but was especially important in the earlier stages of self-employment when contacts with customers and suppliers needed to be made and marketing was essential (paragraphs 2.3.2 & 2.3.7). *Innovation* skills were especially required for accessing markets. *Managerial skills*, although always necessary, played a more prominent role during the first few years of self-employment when planning was required. *Leadership* was important at all stages of self-employment, but to a greater extent in the earlier stages.

Figure 5.24: Skills according to number of years self-employed



5.5. Factors that motivate graduates to become self-employed

Some people are "pulled" into self-employment and others are "pushed" into self-employment (see Chapter 2, paragraph 2.2). Factors that "pull" people into self-employment are for instance: to be independent, to have flexibility, the desire to create jobs, financial/material prosperity, a role model, knowledge, information, ideas, an opportunity, a gap in the market, a challenge, the desire to take risks, a match between a hobby and a business, and a vision or a goal to be realised. Factors that "push" people into self-employment are: retrenchment/unemployment, the economic situation, a crisis in life, and the luck to come into money, e.g. by means of a prize, inheritance or a lottery. Graduates were mainly "drawn" into self-employment (87%) as opposed to being "pushed" into self-employment (13%) as can be seen in Figure 5.25.

Research has revealed that entrepreneurs rarely cite making money as a motivating factor. Those that found a new business are much more likely to state that they wish to contribute to the welfare of their community. Personal satisfaction through the control of the many and complex variables is a major motivation (Chapter 2, paragraph 2.2). Self-employed graduates predominantly shared in this entrepreneurial characteristic. *Personal and job satisfaction* was the main inspiration among self-employed graduates. Those that helped themselves in the end contributed to society and created jobs for others.

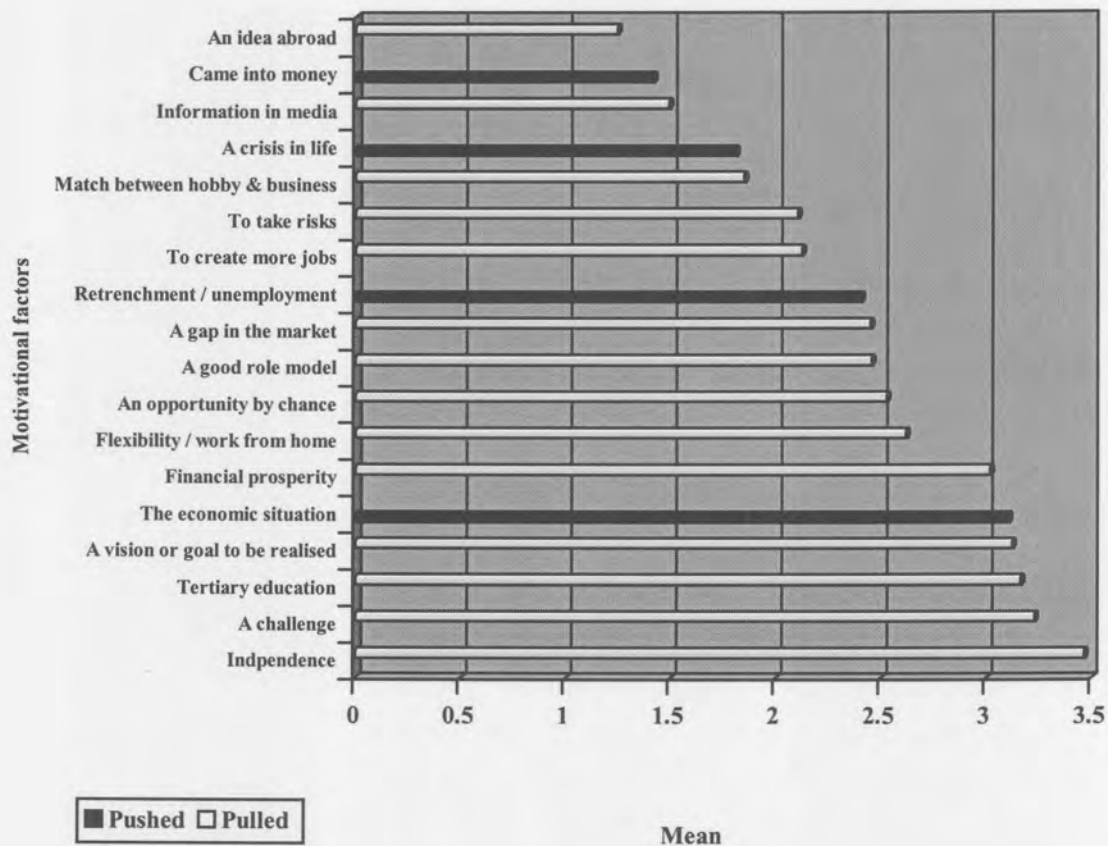
Figure 5.25: Two main motivational factors among self-employed graduates



Self-employed graduates were asked on a 5-point Likert-type scale about the degree to which they agree that the issue in question is an important consideration in their employment status choice. Eighteen different factors of motivation for becoming self-employed were listed and an open-ended choice was also given. In Figure 5.26 the priority of the factors of motivation are given:

- self-employed graduates' greatest motivation for becoming self-employed was the desire to be *independent* without reporting to a boss;
- secondly, graduates were drawn into self-employment by a *challenge*;
- to apply the knowledge that graduates acquired through *tertiary training*, were the next greatest factor that makes self-employment desirable;
- the desire to realise a *vision or a goal*, was the next greatest motivational factor;
- the *economic situation* tended to "push" about 4% graduates into self-employment;
- other motivational factors that "pulled" graduates into self-employment were in the following order: financial/material prosperity, more flexibility by working from home, an opportunity, a good role model, a gap in the market, the desire to create more jobs, the desire to take risks, a match between a hobby and a business, information given by the media, and an idea acquired abroad;
- other factors that "pushed" graduates into self-employment are in the following order: retrenchment/unemployment, a crisis in life, and the luck to come into money.

Figure 5.26: Factors that motivate graduates to become self-employed



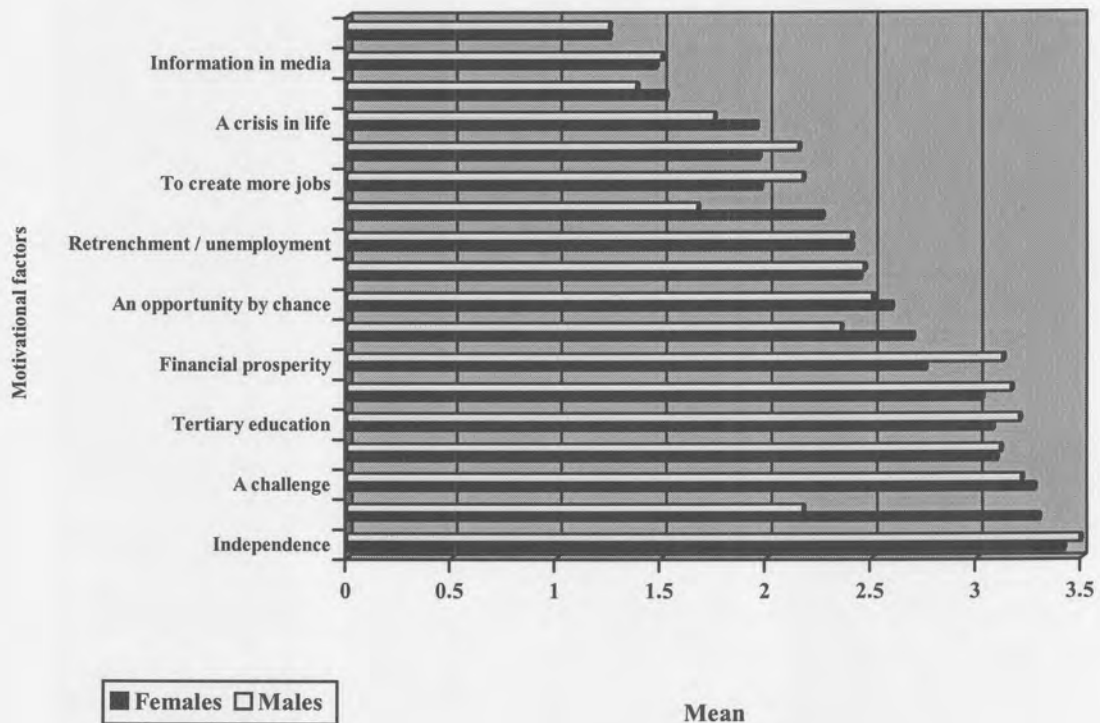
5.5.1. Factors that motivate graduates to become self-employed, according to gender

Both male and female graduates were primarily motivated by *personal and job satisfaction*, such as the desire to be independent, more flexibility, a challenge, to apply the knowledge gained by tertiary education, and to realise a vision or a goal, although there were a few factors that were higher on the priority list among females than on the list of males and *vis-à-vis*, as indicated in Figure 5.27.

Autonomy was most important to both male and female graduates. Females were *pulled* into self-employment more by flexibility / an opportunity to work from home, a gap in the market, and a match between a hobby and business. They were *pushed* into self-employment to a

greater extent by a crisis than males were. Males on the other hand were drawn more by the desire to have financial prosperity, to create jobs, and to take risks than females were.

Figure 5.27: Factors that motivate graduates to become self-employed, according to gender

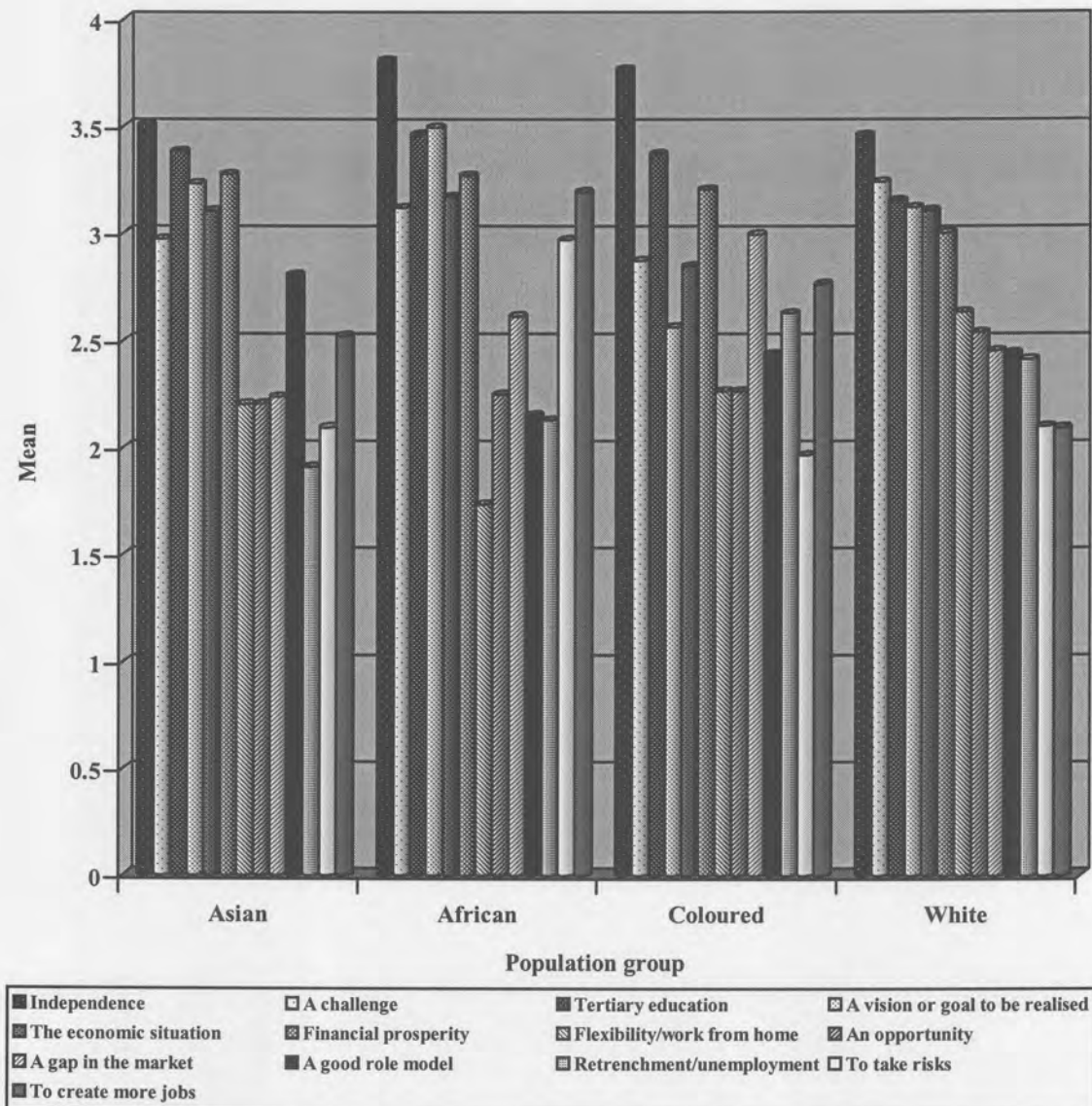


5.5.2. Factors that motivate graduates to become self-employed, according to population group

The main incentives for graduates to get self-employed (independence, a challenge, to apply knowledge that was obtained by tertiary education, etc.) were much the same for all population groups. Some factors, though, had more of a motivation for certain population groups than others, as shown in Figure 5.28.

Africans and coloureds want to better their financial situation and create more jobs. Africans and coloureds were especially looking out for a gap in the market, while Asians tended to be inspired a great deal by good role models. Whites found a challenge more inspiring.

Figure 5.28: Factors that motivate graduates to become self-employed, by population group



5.6. Difficulties as experienced by self-employed graduates

Respondents were asked to indicate on a 5-point Likert scale to what extent various factors hamper their efforts to set up and run their own businesses. The survey of necessity focused on existing self-employed graduates rather than those who were discouraged from entering self-employment and it can be seen as a limit of what postal surveys can reveal regarding the nature and extent of problems experienced. Interviews, however, helped to get more in depth information.

5.6.1. High Taxation

A comparison was drawn between the difficulties as experienced by self-employed graduates in the country and those abroad. It is indicated in figure 5.29 that *high taxation* was experienced as the most problematic factor (while far less problematic outside SA). Taxes contributed to high production costs, bigger overheads and smaller profits. As most self-employed graduates had sole proprietorships, proposed lower corporate tax rates for SMMEs as stated in the White Paper (1995:39) or exemption from taxation, if profits were less than a minimum amount, would not apply to most of them, as personal tax applied to them.

5.6.2. Establishing a clientele

The *time it takes to establish a clientele* was also seen as very problematic (although less so for those abroad). It can partially be attributed to market constraints, but on the other hand, also to poor marketing by self-employed graduates themselves. Market constraints included problems with cumbersome and complicated tendering procedures and procurement. Many business regulations and local government red-tape hindered market access. Larger businesses dominated the market, because of better infrastructure, human resources, other resources and established networks (paragraph 2.6.2). Without enough qualified employees, smaller companies could not compete. A major problem was that there just were not enough qualified people in all the various population groups to enable smaller businesses to attract the right people. Larger businesses had better incentives. As was indicated, inadequate communication and networking also contributed to problems to a great extent. Competition was more prominent than co-operation among businesses and larger companies will have to be stimulated in one way or the other to co-operate more with smaller businesses (Chapter 2, paragraph 2.3.2.2 & 2.6.2). Corruption and bribery also contributed to market constraints to a large extent. There was a strong perception of unfair business practices (Chapter 2, paragraph 2.6.2).

Self-employed graduates themselves, however, must be competitive in addressing the needs of society and provide that which is in demand according to requirements and standards. Reliable, trustworthy services and products are required. Niche markets must be found and unique services and products are competitive. An oversupply of either products or services in a specific area, leads to disillusionment. Proper marketing of services and products require skills. To read market demands correctly, require skills. To know the environment and adapt pro-actively, require skills and this boils down to training and experience. Public, central marketing services could possibly have a valuable positive impact on the supply of marketing services to SMMEs.

5.6.3. Crime

Crime hampered business in the country (while abroad it was less of a problem). Crime undermines confidence needed for growth and investments. Crime affected Africans to the greatest extent (paragraph 5.6.13). High crime causes major losses and damage. Many felt that given the high taxation in the country, more protection from the police force against criminals was expected. Businesses had to go to extreme costs in providing security at business premises themselves. Interviewees indicated that the police force gave priority to the follow-up of crime, rather than preventing crime from happening. Local government should be given more responsibility in being pro-active and preventing crime.

5.6.4. Access to finance / capital

Access to *finance / capital* has come out as one of the most urgent felt needs all over the world (Chapter 2, paragraph 2.6.3), however, self-employed graduates in the country experienced it to a greater extent than those abroad. Africans, coloureds and females indicated to a greater extent that finances were hampering their efforts in setting up businesses (paragraph 5.6.12. & 5.6.13). According to a World Bank discussion paper on the business environment in Southern Africa, however, collateral requirements of South African banks were relatively liberal by the standards of developing countries (Chapter 2, paragraph 2.6.3). The discussion paper also indicated that there was a lack of knowledge about available financing programmes that aggravated the problem. Self-employed graduates indicated that cash-flow problems were hindering the run of their businesses and soft loans (in the range of R50 000 to R200 000) with lower interest rates would be most welcome in alleviating their financial situation. The provision of risk capital for smaller businesses also remained very limited (Chapter 2, paragraph 2.6.3). It was indicated that businesses that

could survive at least *two years*, should be considered as credit worthy by the formal banking sector.

5.6.5. Legislative and regulatory conditions

As most self-employed graduates had very small businesses (paragraph 5.3.4) and the requirements of most of the acts did not apply to them, it was inquired during interviews why some self-employed graduates experienced problems with the requirements of the acts (especially that of the *Labour Relations Act*, *Basic Conditions of Employment Act* and *Employment Equity Act*). It was clear that all self-employed people still had to adhere to many administrative procedures and red tape in running their businesses and self-employed graduates with small businesses did not want their businesses to grow beyond the levels of more than 50 employees. At that stage their businesses were exempted from certain legislation. It was perceived by these very small businesses that the regulatory environment influenced them. The laws seemed to make it impossible to dismiss unproductive workers, pushed up wages and managerial costs in the process to draw up employment equity plans and to submit annual audits to the Department of Labour. Some were reducing employment because of the effect of labour regulation. The costs of compliance with legislation and regulation were too high in an environment of increasing international competition and could force SMMEs to shut shop, or not employ more people. As it was perceived unreasonable difficult to get rid of unproductive employees, employers indicated that they found it an obstacle to hire people. In order to meet their demands, many self-employed graduates resorted to temporary labour and subcontracting. More flexibility seemed to be required.

5.6.6. Qualified employees

To obtain qualified employees, was another major problem as was experienced by self-employed graduates. To obtain qualified employees was an international problem experienced by SMMEs though (Chapter 2, paragraph 2.6.1 & 2.6.2). Interviews revealed that the labour laws made small businesses defenceless during tendering procedures, since they did not always had the necessary infrastructure and qualified employees. It was more difficult for smaller companies than for larger companies with better incentives to attract qualified employees. Even when small businesses took it upon themselves to train employees, time and again qualified staff was lost to larger companies. It was felt that medium and larger companies should be penalised for robbing smaller counterparts of their human resources and that smaller businesses should get subsidies for training people as well as giving them opportunities to get experience and acquire most sort after skills.

Self-employed graduates were not indifferent to the protection of workers and their security, as *satisfied employees* were rated quite high as a factor contributing to success of self-employed graduates (see paragraph 5.7.1). Employers, however, felt that they also needed to have the right to demand minimum labour standards and protection against collective bargaining in order to be productive in an ever-increasing global competitiveness. At present industrial councils do not address the needs of very small businesses. During interviews it was mentioned that there was a need for better control over the granting of some certificates and other qualifications that were not always up to standard as well as corruption in acquiring certain qualifications.

5.6.7. Communication and networks

Inadequate *communication and networks* were another constraint that hampered self-employed graduates in setting up and running their businesses (although self-employed graduates abroad indicated that they struggled more in a foreign country to build up communication networks, because they were unfamiliar in their environment). Larger companies in the past had an advantage regarding interaction opportunities. The literature overview highlights the importance of communication and networking in starting and running a business and also gives examples of successful networking among smaller businesses (Chapter 2, paragraph 2.3.2). Very small businesses can network more to jointly take opportunities and become more competitive by sharing marketing services and skills.

5.6.8. Other constraints

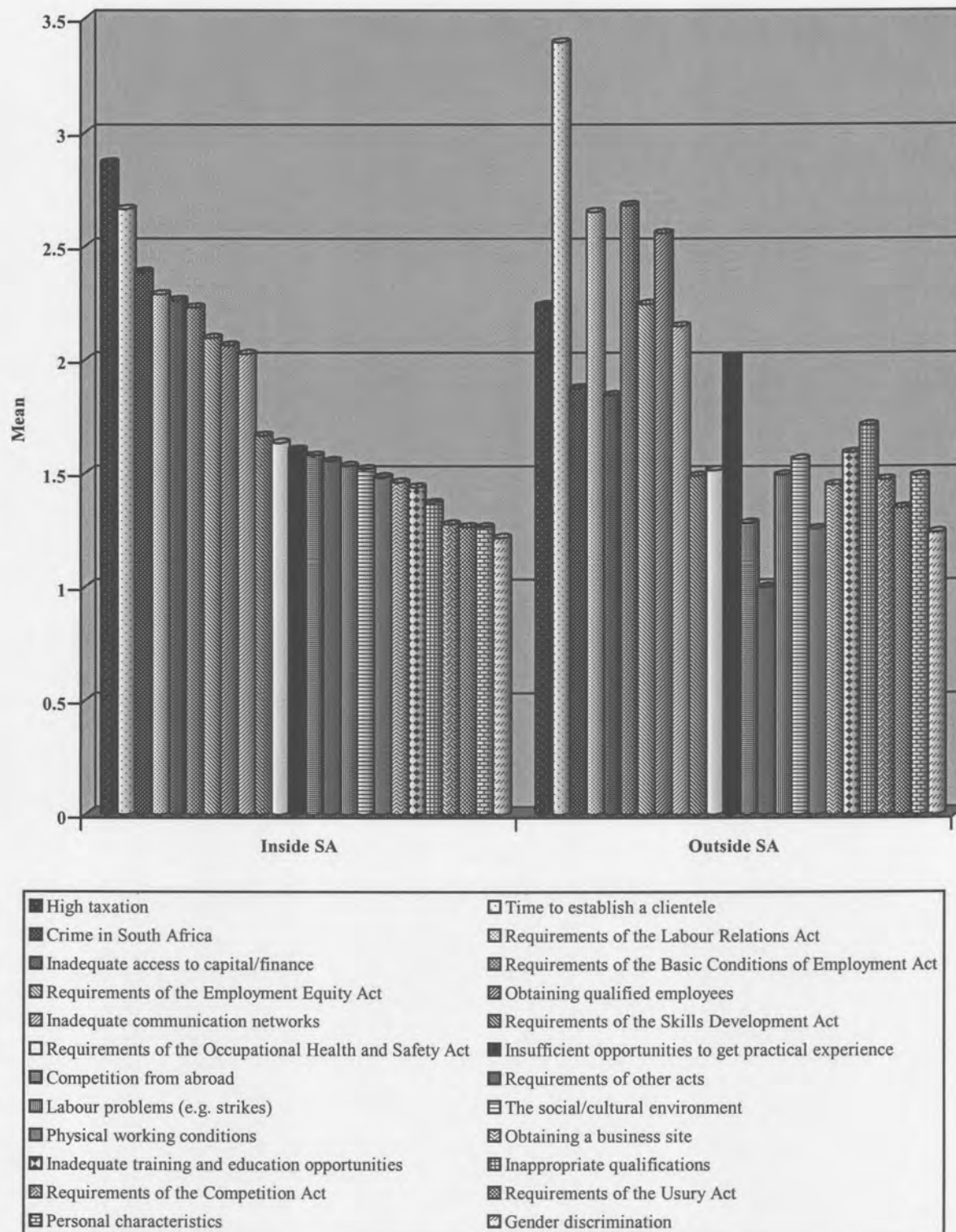
Various other factors that were listed, were rated as less problematic: Requirements of the Skills Development Act, requirements of the Occupational Health and Safety Act, insufficient opportunities to get practical experience before becoming self-employed (Africans, coloureds and Asians experienced this to a greater extent - paragraph 5.6.13), requirements of other acts, labour problems (the larger companies, however, had more labour problems - paragraph 5.6.11), the social/cultural environment, physical working conditions (females had more constraints regarding the physical working conditions - paragraph 5.6.12), obtaining a business site - Africans, coloureds and Asians, especially, experienced constraints regarding proper premises (paragraph 5.6.13), inadequate training and education opportunities, inappropriate qualifications, requirements of the Competition Act, requirements of the Usury Act, personal characteristic, and gender discrimination which was more of an obstacle to females (paragraph 5.6.12).

To be successful, self-employed people needed support structures that were in place. A balance needed to be found between business, family and recreation. Males on the whole seemed to have more support in this regard. Females tended to experience more problems with the impact of family and upbringing and traditional role allocation in the family social upset, in running their businesses. Society needs to adapt more to accommodate the female self-employer and infrastructure should be developed to provide support systems. There is also a need for more visible role models and access to a variety of seminars on topics to address problems experienced by females and give opportunities for networking. Females also still experienced gender discrimination, although it was less of a problem than most of the other problems mentioned. Society needs to eliminate stereotypes so as to increase more the acceptance of females in the business world.

5.6.9. Conclusion

The perception among some self-employed graduates that the labour market laws impact on their businesses, the high unemployment in the country and the fact that most self-employed graduates indicated that they did not wish to increase the staff complement of their companies (paragraph 5.3.4.2), place a question mark on the effectiveness of the present tax system, the attempts to combat crime and corruption, and the communication of the requirements of the labour laws. Even if many of the legislative requirements were not applicable to most self-employed graduates, the *perception* was there that it impacted or will impact on their businesses if they would increase the staff complement. Even a perception has its consequences. Proper communication is thus necessary in avoiding wrong perceptions. It is crucial to address high taxation, crime, corruption, and communicate clearly the impact of legislation on SMMEs.

Figure 5.29: Difficulties as experienced by self-employed graduates



5.6.10. Hypothesis testing

5.6.10.1. As has been indicated in the literature study (Chapter 2, paragraph 2.6.1), it is often viewed that inappropriate legislative conditions are critical constraints on the access of small enterprises into the business sector. Contradictory viewpoints, however, regarding the *flexibility* of the labour market are held. There are those that argue the South African labour market is flexible in the light of the many retrenchments, the opportunity to resort to casual labour and labour contracting. They see rigidity in the labour market as only a *perception* (Bezuidenhout & Kenny, 2000:1-36). On the other hand, the view is held that stringent labour policies are the main culprit for job losses (Glynos 2001:2). Scholtz (2000) is of opinion that rigidities in existing labour policies lead to unemployment and subsequent growth in the informal sector.

These contradictory viewpoints led to the formulation of the following hypothesis:

Statistical null hypothesis:

H_0 = Existing labour legislation is perceived as *problematic* and *not* as problematic by self-employed graduates (Mean = 2.5).

Statistical alternative hypothesis:

H_a = Self-employed graduates do *not* perceive existing labour legislation as problematic.

A factor analysis was first done on all the variables in order to determine which of the constraint variables correlated highly and could be grouped together for the hypothesis testing. The various acts that impacted on labour for instance correlated highly and were therefore grouped together as one variable before the hypothesis was tested.

The T-Test was used to test the hypothesis. As can be seen in Table 5.13, the mean score for labour legislation is *less* (1.9) than 2.5. The alternative hypothesis is accepted, because the p-value (column Sig. 2-tailed) is smaller than 0.001. Self-employed graduates do *not* perceive labour legislation as very problematic.

Table 5.13: T-Test: Hypothesis testing

Constraints	One-Sample Test					
	Test Value = 2.5					
	N	Mean	Std. Deviation	t	df	Sig. (2-tailed)
Labour legislation	2810	1.9680	0.9351	-30.157	2809	<0.001
Inadequate communication networks	3319	2.3342	0.7430	-12.855	3318	<0.001
Education and training	2849	1.4542	0.5954	-93.744	2848	<0.001
Competition	2080	1.6995	0.7173	-50.893	2079	<0.001
Environmental factors	2723	1.3686	0.4682	-126.075	2722	<0.001
Taxation	3678	2.87	1.07	20.923	3677	<0.001
Crime	3460	2.39	1.14	-5.877	3459	<0.001
Personal characteristics	3217	1.26	0.58	-121.143	3216	<0.001

The *perception* however do exist that legislation impacts on SMMEs, because in relation to other constraints, requirements of the Labour Relations Act are seen as the fourth most problematic factor in being self-employed (Figure 5.29). Interviews also revealed that legislation is perceived as problematic among some of the self-employed graduates, although it cannot be regarded as the main cause for slow job creation. It is however important to *communicate adequately* the implications of all laws on SMMEs in order to rectify inappropriate perceptions regarding labour laws.

5.6.10.2. The literature indicated that an entrepreneur manages a business by managing a network and prior to the start-up; entrepreneurs should develop networks with a high level of interaction. Networks link entrepreneurs to resources and provide information exchange opportunities. Entrepreneurs spend considerable time in developing and maintaining networks (Chapter 2, paragraph 2.3.2.1). Developing economies need to foster linkages among small, medium, and large-scale enterprises to develop an integrated economic system. It is essential that fragmented small enterprises network more effectively in order to jointly address development obstacles (White Paper, 1995:17). When linked with other firms in the domestic economy, large-scale enterprises can provide a market for intermediate production of goods from smaller industrial firms (Spring & McDade 1998:15). This has led to the formulation of the hypothesis that inadequate communication networks are one of the important factors that constrain self-employment.

Statistical null hypothesis:

H_0 = There is *sufficient opportunities* for self-employed graduates to develop communication networks, and there is *not sufficient opportunities* to develop communication networks (mean=2.5).

Statistical alternative hypothesis:

H_a = There are opportunities for self-employed graduates to develop communication networks.

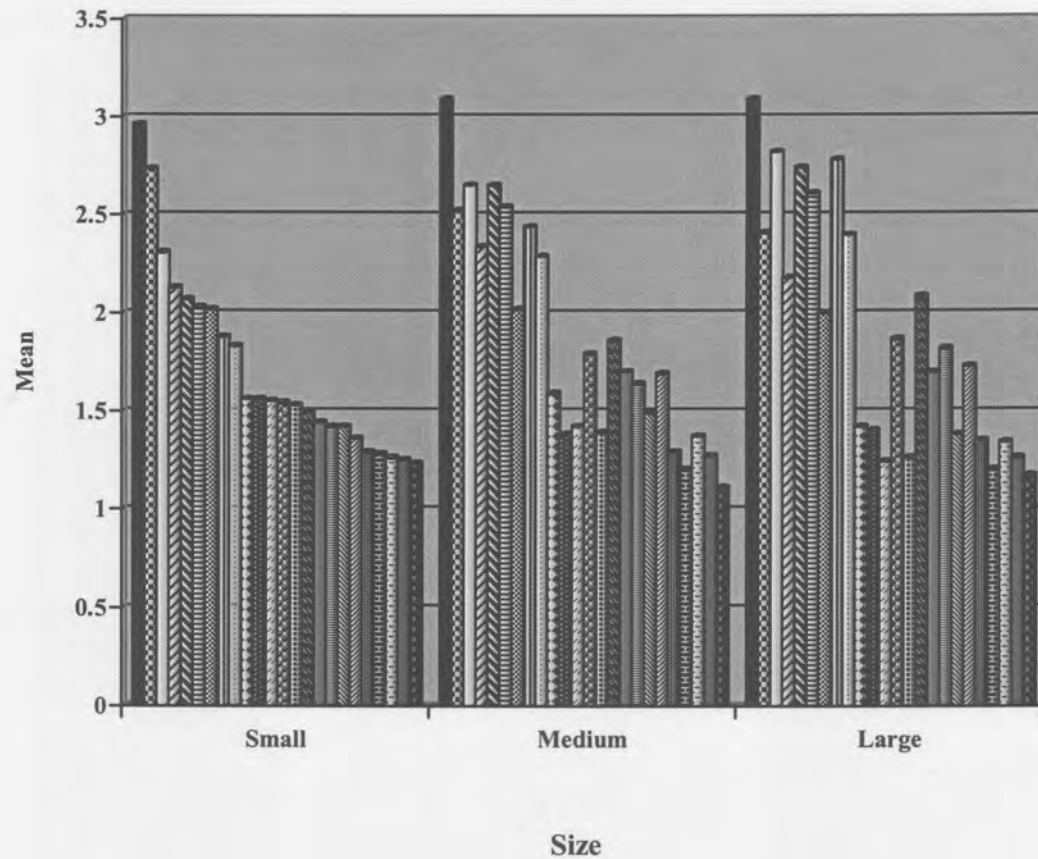
The T-Test was used to test the hypothesis. As can be seen in Table 5.13, the mean score for *inadequate communication networks* is just *lower* (2.3342) than 2.5. The alternative hypothesis is accepted, because the p-value is smaller than 0.001 (column Sig. 2-tailed). Self-employed graduates do have opportunities to develop communication networks, however in relation to other factors that impact on self-employment, communication networks need to be improved (Figure 5.29). As indicated in Figure 5.29, the time it takes to establish a clientele is especially critical. The importance of *relationship marketing* cannot be over emphasised (Chapter 2, paragraph 2.3.7).

5.6.11. Difficulties as experienced by self-employed graduates, according to the size of businesses

The size of businesses had an influence on the constraints as indicated in Figure 5.30. The bigger the firms, the greater the problems with the requirements of the acts (the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act). Requirements of the Employment Equity Act impacted the most on larger enterprises, while much less on small enterprises. Medium size businesses experienced more problems with the requirements of the Labour Relations Act and the Basic Conditions of Employment Act, than with the requirements of the Employment Equity Act. Labour problems were an obstacle to a greater extent in the larger businesses and less so in the small companies.

On the other hand, it was more difficult for small businesses to establish a clientele, than it was for the medium and larger businesses with better networks. Access to finance was higher on the obstacle list of small businesses than it was on list of medium and large businesses (paragraph 5.6).

Figure 5.30: Difficulties as experienced by self-employed graduates, by the size of their businesses



■ High taxation	▣ Time to establish a clientele
□ Crime	▣ Access to finance
▣ Requirements of the Labour Relations Act	▣ Requirements of the Basic Conditions of Employment Act
▣ Inadequate communication networks	▣ Requirements of the Employment Equity Act
▣ Obtaining qualified employees	▣ Insufficient opportunities to get practical experience
■ The social/cultural environment	▣ Obtaining a business site
▣ Requirements of the Occupational Health and Safety Act	▣ Physical working conditions
▣ Requirements of the Skills Development Act	▣ Requirements of other acts
▣ Competition from abroad	▣ Inadequate training and education opportunities
▣ Labour problems	▣ Requirements of the Competition Act
▣ Personal characteristics	▣ Inappropriate qualifications
▣ Requirements of the Usury Act	▣ Gender discrimination

5.6.12. Difficulties as experienced by self-employed graduates, according to gender

As shown in Figure 5.31, both males and females experienced the same problems to a large extent. Females, however, did highlight certain constraints as a result of less access to economic opportunities in the past.

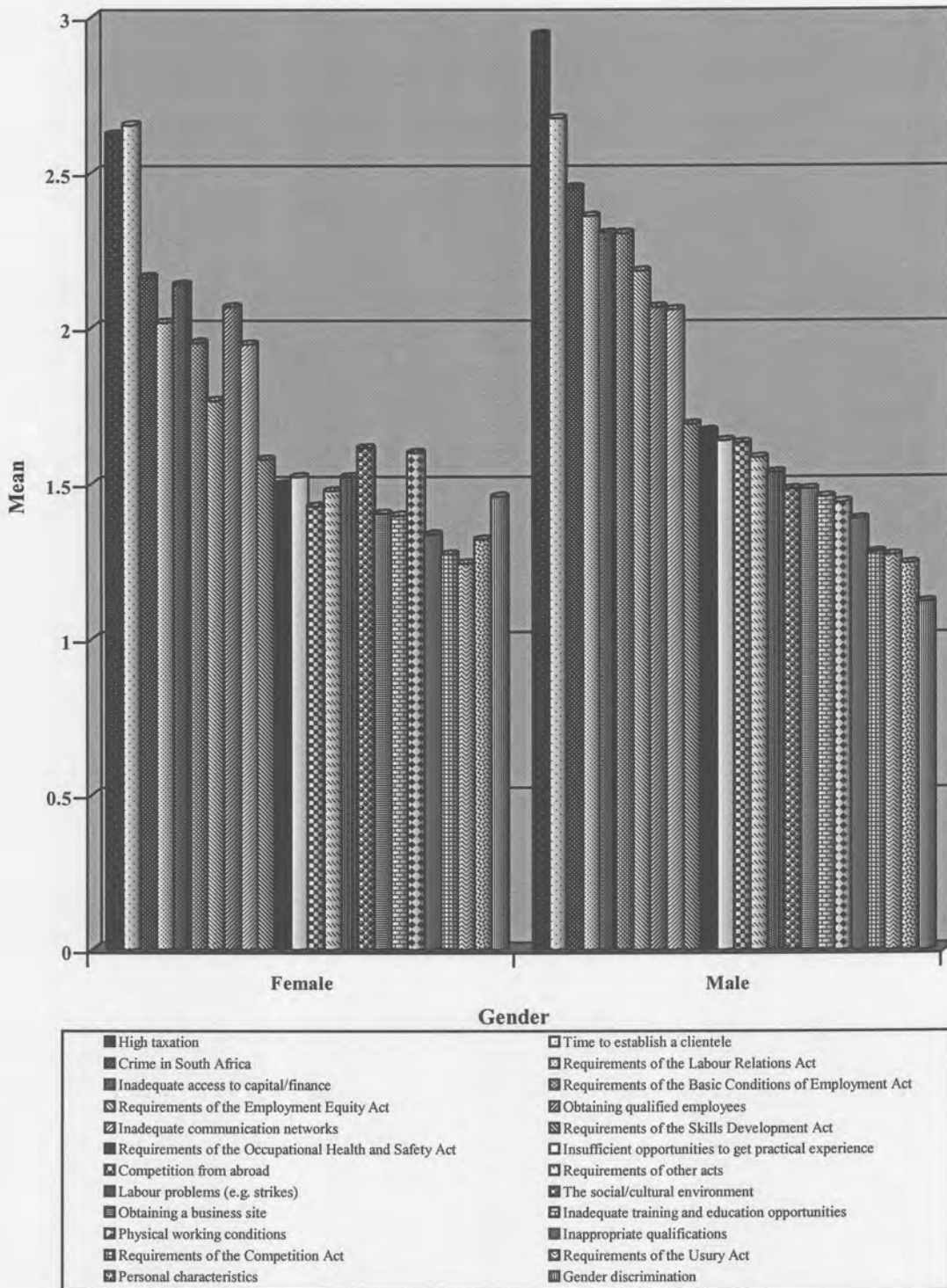
Market opportunities, regulations and competitive structures in the past favoured males, as females experienced the establishing of a clientele as the most problematic factor. Non-discriminatory procurement rules need to be addressed to accelerate progress in the future, although it has been stated in the White Paper (1995:29) that procurement practices will be adjusted in future. It has been indicated that females were excluded from partnerships previously (paragraph 5.3.3.2). Partnerships should be expanded with the focus on females. The most effective way to acquire experience and skills and enter markets, are often the entering of joint ventures and partnerships (Chapter 2, paragraph 2.3.2.1). Business associations need to be encouraged to become more representative and inclusive in terms of gender as has been indicated in the White Paper (1995:39). However, females themselves should form partnerships and associations, as they do have the capabilities.

The financial system in the country did not seem to be that unresponsive to females as such, as they did not indicate that they had that much more obstacles than males in gaining access to the formal banking system, although in relation to other obstacles it still was problematic (Chapter 2, paragraph 2.4.2).

The social / cultural environment impacted to a great extent on females. The social and cultural environment and training programmes will need to accommodate female specific time considerations and match home duties.

Physical working conditions also were very problematic to females as also indicated in the White Paper (1995:33). A flexible planning approach towards home-based enterprises and the provision of crèche facilities and other infrastructure at business premises will need more attention in future.

Figure 5.31: Difficulties experienced by self-employed graduates, according to gender



5.6.13. Difficulties as experienced by self-employed graduates, according to population group

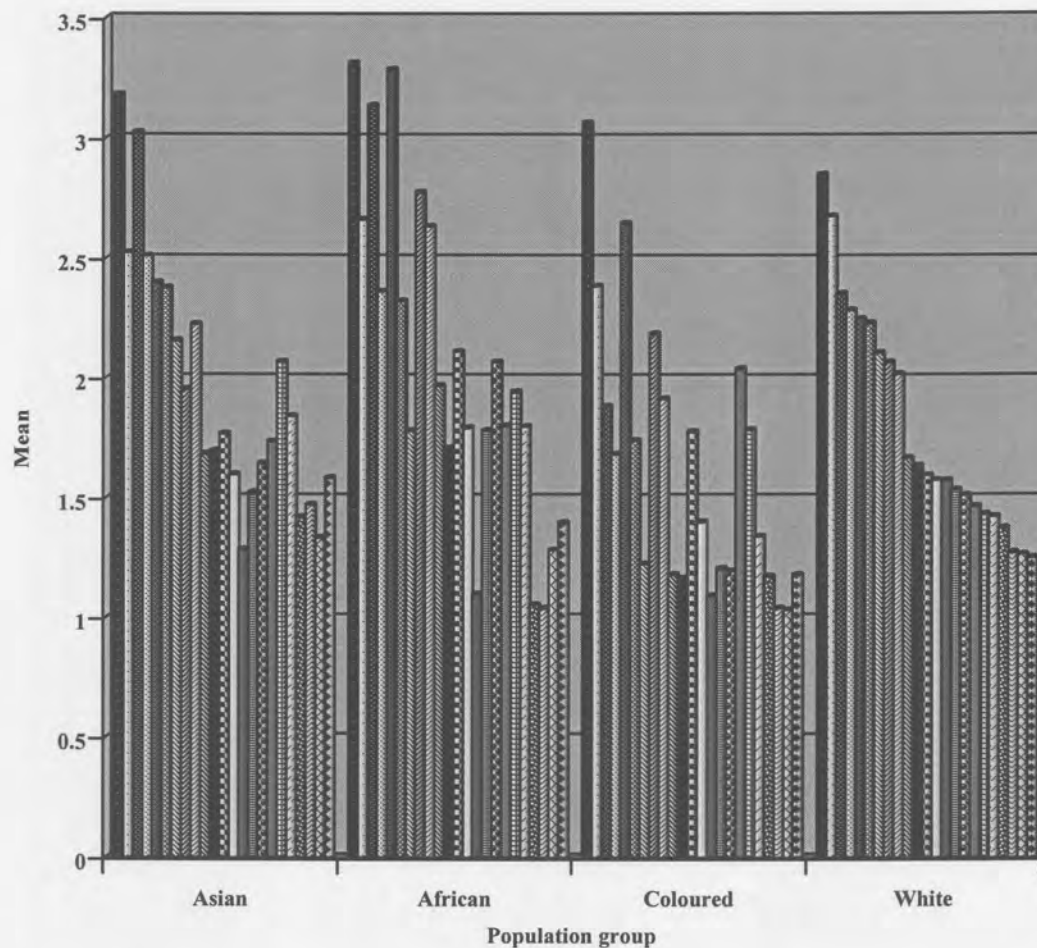
Self-employed graduates in all four population groups experienced problems with regard to certain constraints in establishing and running their businesses, but, as can be seen in Figure 5.32, there were specific obstacles that were more problematic among some of the groups than among the other groups:

- in all four population groups, self-employed graduates regarded *high taxation* as the main constraint;
- African and coloured self-employed graduates, experienced inadequate *access to finance* as a major hindrance;
- all found that *crime* were hampering business in the country. The Asians and Africans, however, were experiencing this to a larger extent. The promise in the White Paper (1995:33) by central, provincial and local authorities and other agencies to combat crime will have to speed up in order not to cripple growth opportunities. African and coloured groups found it particularly hard to *obtain qualified employees*. South Africans firms have to improve co-operation among them and share skills. There is indeed a need for the rapid expansion of business-mentorship systems, business internships and traineeships and joint ventures (White Paper 1995:37);
- to gain market access and build up a *clientele* were problematic for self-employed graduates in all four population groups. Market access is critical for business growth and procurement should be directed more towards very small enterprises. Marketing skills and training of potential entrepreneurs need to be improved also;
- *networks* and co-operation in the provision of infrastructure were also indicated as a need especially among the Africans, coloureds and Asians. More interaction and co-operation between firms is required in a process to level the playing field between larger and smaller businesses (paragraph 4.6.7);
- requirements of the *Labour Relations Act* were problematic to all, but especially to the Asians, whites, and Africans (in this order) and to a lesser extent to the coloureds. Requirements of the *Basic Conditions of Employment Act* was a stumbling block among all, but more so among the Asians, Africans, whites (in this order) and the least among the coloureds. Requirements of the *Employment Equity Act* was less of a

constraint to all, but still a hindrance among Asians, whites, and Africans (in this order) and less so among the coloureds;

- Africans, coloureds and Asians indicated that they experience problems with opportunities to gain appropriate *practical experience*. Co-operation among the private sector, government and tertiary education institutions will have to address this need for more practical experience;
- the private sector, local authorities and the government will have to work together to develop business premises and infrastructure that will address the need in obtaining proper *business sites*. The *physical working conditions* were more of a hindrance to coloureds, Africans and Asians.

Figure 5.32: Difficulties experienced by self-employed graduates, according to population group



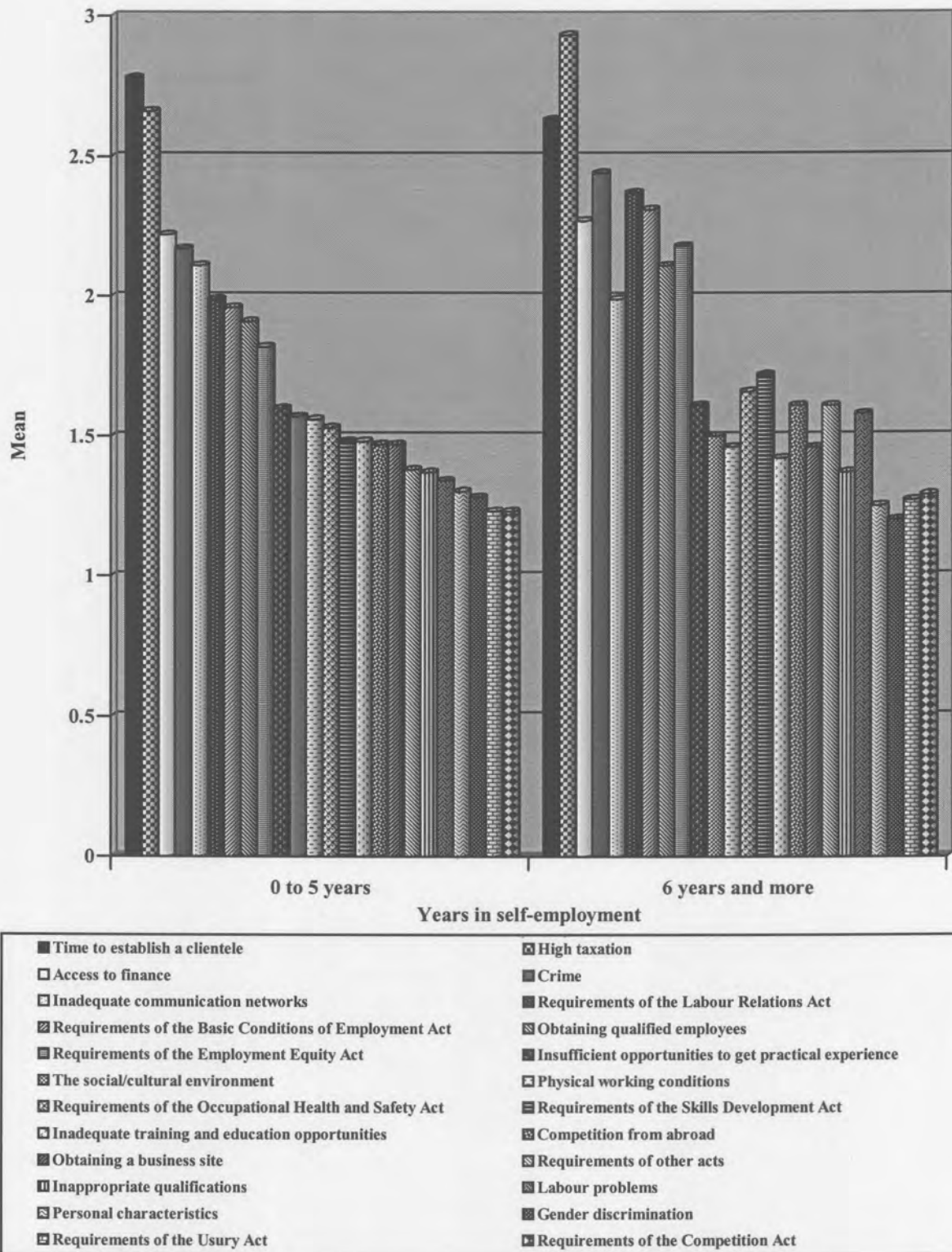
■ High taxation	□ Time to establish a clientele
■ Crime in South Africa	▣ Requirements of the Labour Relations Act
■ Inadequate access to capital/finance	▣ Requirements of the Basic Conditions of Employment Act
▣ Requirements of the Employment Equity Act	▣ Obtaining qualified employees
▣ Inadequate communication networks	▣ Requirements of the Skills Development Act
■ Requirements of the Occupational Health and Safety Act	▣ Insufficient opportunities to get practical experience
□ Competition from abroad	■ Requirements of other acts
▣ Labour problems (e.g. strikes)	▣ The social/cultural environment
■ Physical working conditions	▣ Obtaining a business site
▣ Inadequate training and education opportunities	▣ Inappropriate qualifications
▣ Requirements of the Competition Act	▣ Personal characteristics
▣ Requirements of the Usury Act	

5.6.14. Difficulties as experienced by self-employed graduates, according to the maturity of a business

As can be expected, constraints differed according to the maturity of firms (refer to Figure 5.33). The younger businesses (up to 5 years in business) indicated that they found it harder to access the market and build up a clientele. High tax affected the more mature firms (in business for more than 5 years) to a larger extent. Finance constraints declined with the age of firms. This confirms the result of previous studies (Chapter 2, paragraph 2.6.3).

Firms that were in business over a longer period had established networks, while younger businesses experienced more difficulties in finding co-operation in the working environment and still had to build-up networks (Chapter 2, paragraph 2.3.2.1). Requirements of the various acts were more problematic in the more mature businesses. It was more difficult to change the staff complement according to the requirements of the acts after a few years in business, than it was for those firms that still had more of a choice in appointing staff. It was indicated by the more mature businesses that they experienced more problems with regard to human resources and obtaining qualified employees, than firms that were in business for a shorter period. The more mature businesses required more sophisticated skills and then the requirements of the labour acts were more applicable to them.

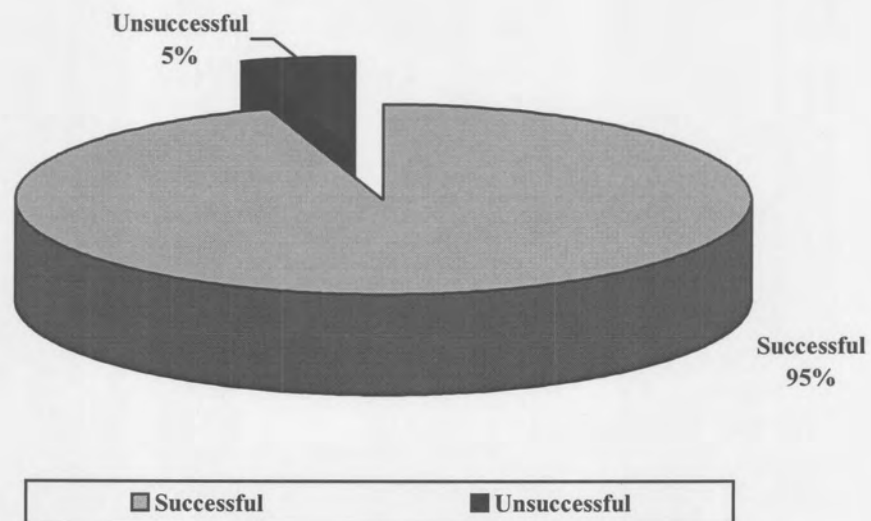
Figure 5.33: Difficulties as experienced by self-employed graduates, by the maturity of their businesses



5.7. Success of self-employed graduates

As can be seen in Figure 5.34, self-employed graduates in South Africa seemed to be more successful than unsuccessful. Among the self-employed graduates, 95% of them indicated that they were successful.

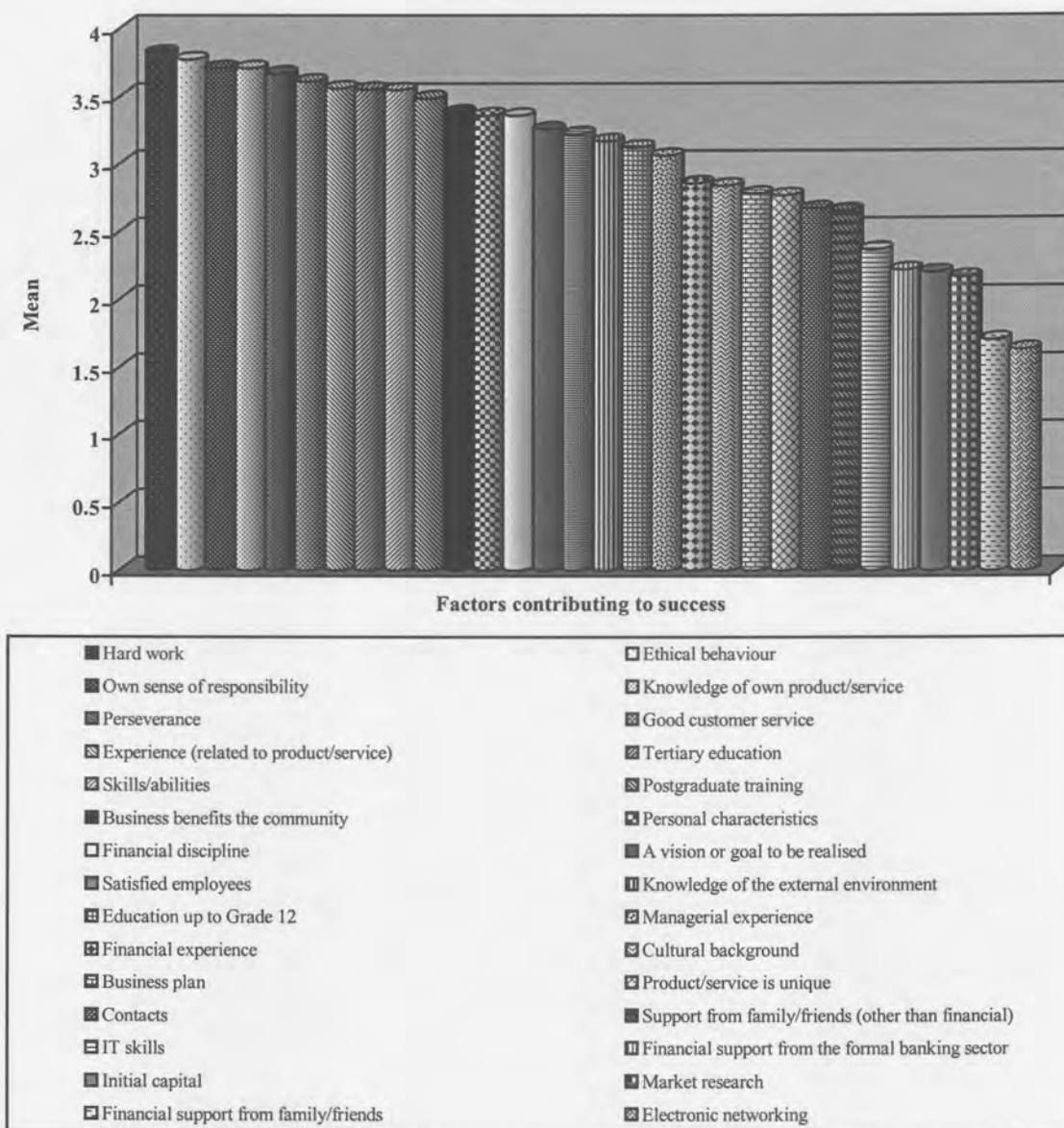
Figure 5.34: Success of self-employed graduates



5.7.1. Factors contributing to success of self-employed graduates

Success begins with the self-employed graduate him/herself, then only follows the product/service, the customer, employees, the external environment and the rest. As indicated in Figure 5.35, success began with the self-employed graduate's predisposition or attitude towards life, as it was indicated that hard work, ethical behaviour and one's own sense of responsibility were the main contributing factors to success. Winston Churchill said: "We make a living from what we get, we make a life from what we give." (cited in the Sunday Times Business Times, 27 October 2002:23). Following a right attitude, the next main factors (in the order as given) were important for successful self-employment:

- knowledge with regard to the product / service;
- running a business requires perseverance, as there are ups and downs along the way;
- to attend to the needs of customers are crucial;
- it helps to have experience related to the product/service, before becoming self-employed;
- knowledge acquired through tertiary education is essential;
- skills/abilities need to be acquired (see essential skills to have in paragraph 5.4);
- to further one's education through postgraduate training, is most helpful;
- the product or service must benefit the community;
- it helps to have the appropriate personal characteristics;
- financial discipline is also high on the priority list.

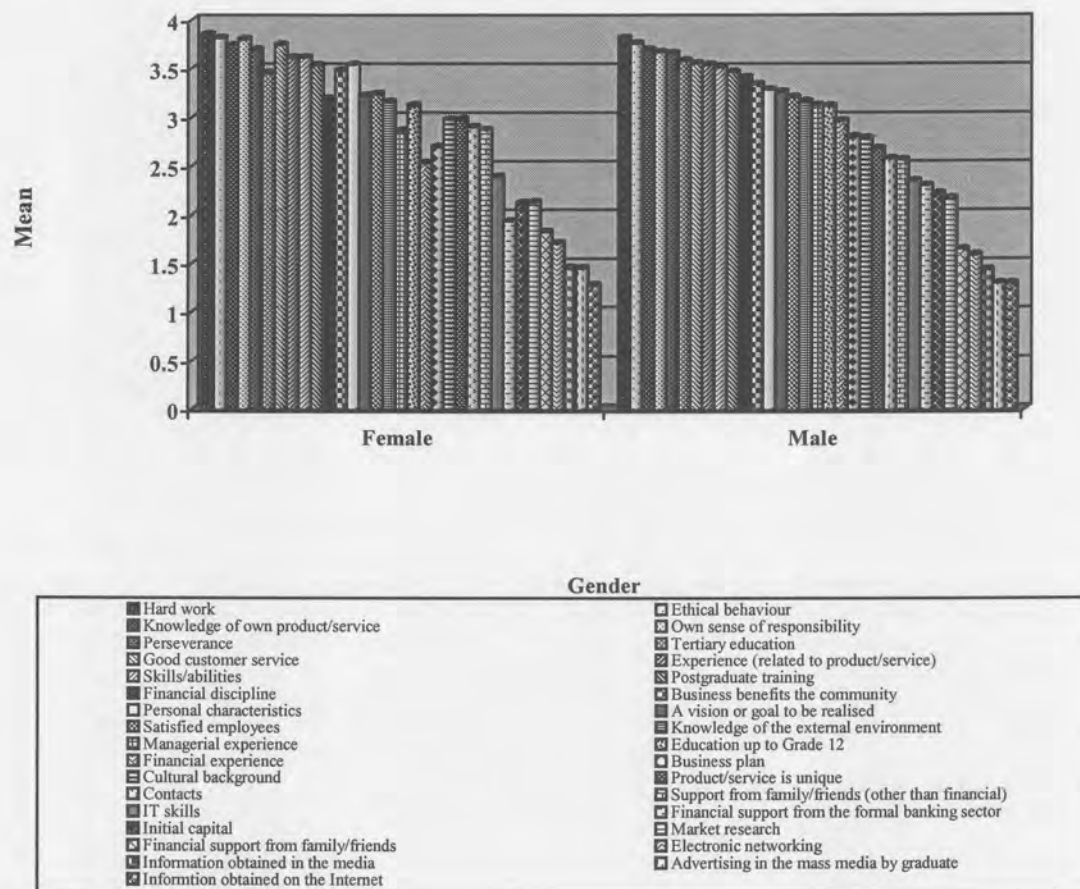
Figure 5.35: Factors contributing to success of self-employed graduates' businesses

5.7.2. Success of self-employed graduates, according to gender

It is indicated in Figure 5.36, that both female and male graduates regarded hard work, ethical behaviour, knowledge of the product / service, an own sense of responsibility, perseverance, tertiary education, and good customer service as crucial factors that contributed to success in self-employment. Females, however, were more people orientated, while males were more technical orientated (see paragraph 5.2.3 & 5.4.3). Customer service, personal characteristics, a business that contributes to the community, a cultural background (the way things are done

in business), an unique product/service, contacts, support (other than financial) from family/friends, and advertising in the media, were more important to females. These factors (especially an unique product, contacts, and advertising) were focused on getting a foot in the market, since females had fewer opportunities in the previous dispensation. Males, on the other hand, placed more emphasis on tertiary education, financial discipline, managerial experience, financial experience, a business plan, and financial support from the formal banking sector when it came to success in self-employment. Previously males had more access to finance than females did and this could be the reason why females did not rate access to finance as high as males did in contributing to their success. Females had to rely on other factors in building their businesses.

Figure 5.36: Factors contributing to success of self-employed graduates, by gender

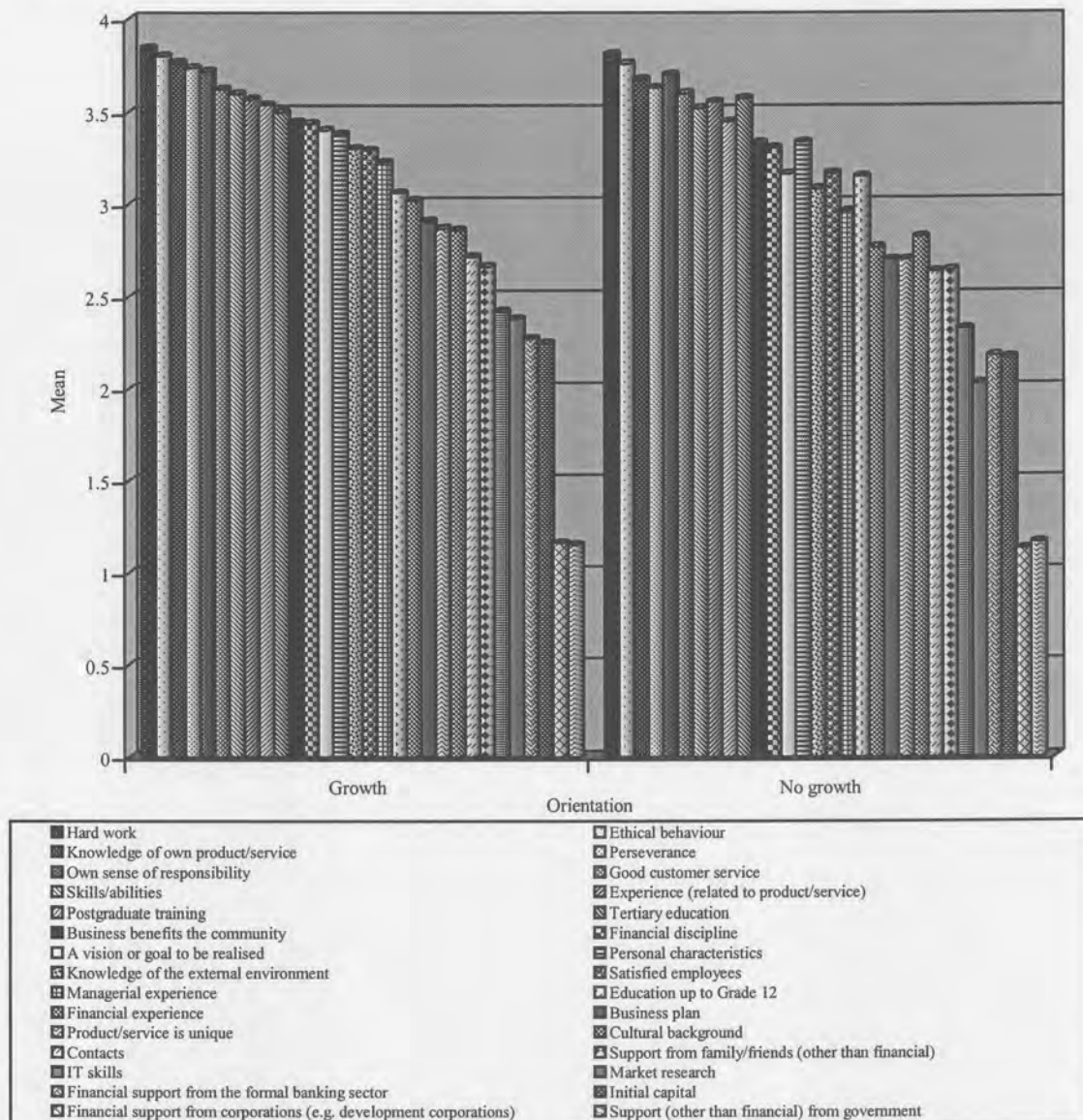


5.7.3. Factors contributing to success of self-employed graduates with a growth orientation versus those with no growth orientation

Most factors that were listed to respondents, contributed to the success of self-employed graduates with a growth orientation to a larger extent than it contributed to those with no intention to increase the staff complement of their firms, as indicated in Figure 5.37.

Self-employed graduates predominantly had very small firms (paragraph 5.3.4) and it has been indicated that very small firms lack the resources, time, and knowledge to perform strategic planning (Welsh & White 1981:18). A business plan clearly was not the priority among self-employed graduates to assure success. Yet most CEOs believed that planning results in improved time efficiency, company growth, and understanding the market (Sexton & Bowman-Upton 1991:130). As can be seen, those with a *growth-orientation*, scored a business plan higher. Planning, as was revealed during interviews, reduces some of the risks in seeking opportunities. Successful organisational development entails strategic thinking (Chapter 2, paragraph 2.3.4).

Figure 5.37: Factors contributing to success: Growth versus no growth



5.7.4. Effective approaches that are followed by successful self-employed graduates

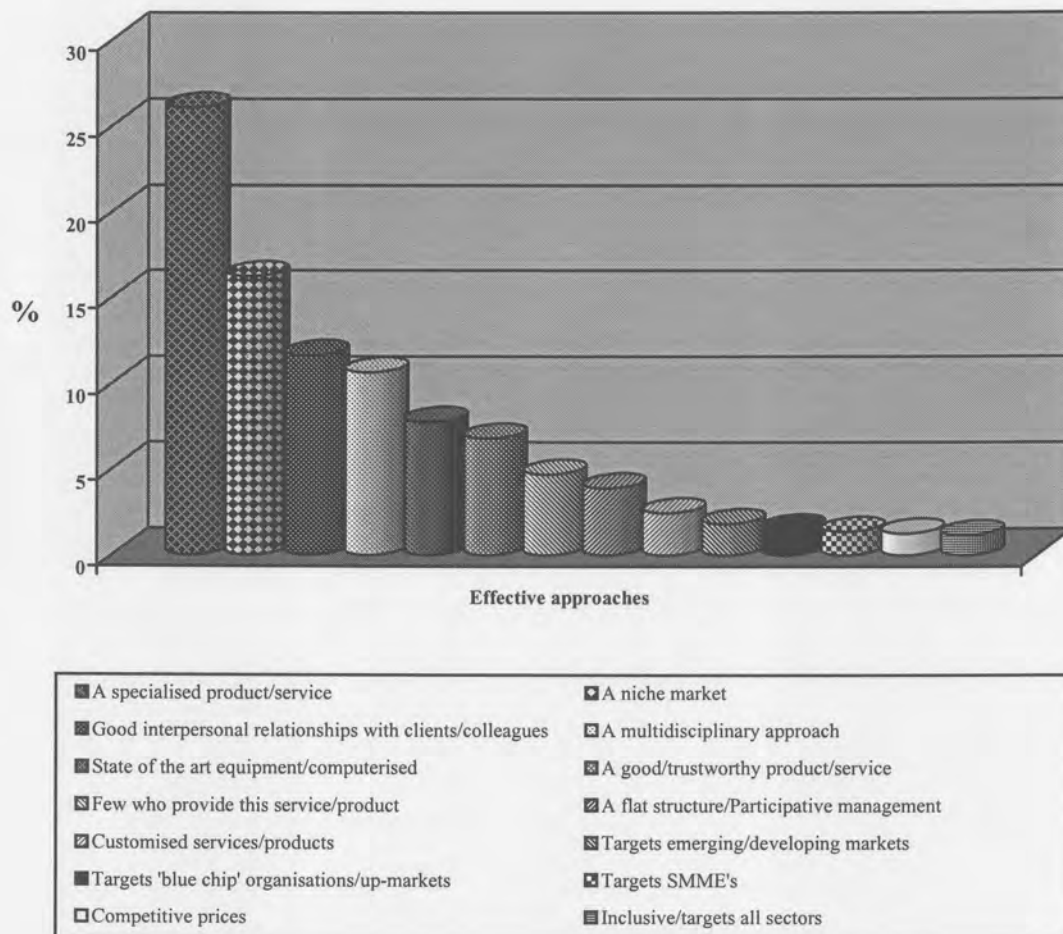
Self-employed graduates gave their own portrayal of approaches they followed in running their businesses successfully, as indicated in Figure 5.38. Approaches were related to the product/service, methods or techniques used, markets targeted, or the form of organisation they had (while responses with regard to the sources used, were to low to be analysed).

A quarter (26%) of self-employed graduates' claim to fame was their specialised service or product they had to offer to society. Among the self-employed graduates, 16% differentiated

themselves from others by securing a niche market. Some (12%) self-employed graduates distinguished themselves from others mainly by having good interpersonal relationships. Eleven percent indicated that they follow a multidisciplinary approach to be effective.

The rest mainly differentiated themselves from their competitors in their field by using one or more of the following approaches: Use state of the art equipment / get computerised, provide a trustworthy service / product, to be one of a few who provide a service / product in a specific area, by having a flat structure and using a participative management style, by providing customised services/products, by targeting emerging/developing markets, or by targeting 'blue chip' organisations, or by targeting SMME's, by using competitive prices, or to be inclusive (target all sectors / markets).

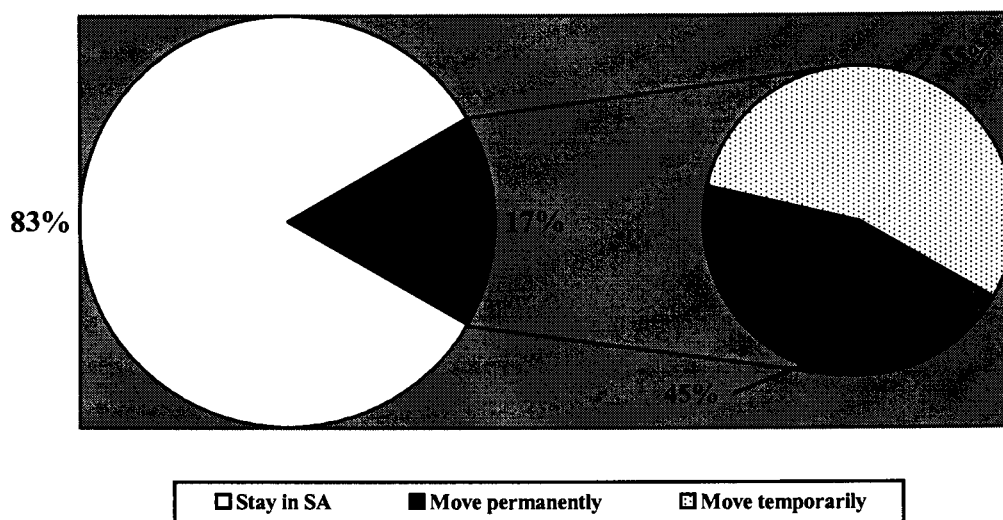
Figure 5.38: Effective approaches followed by successful self-employed graduates



5.8. Mobility of self-employed graduates

There is much speculation about the movement abroad of highly skilled South Africans. The survey among self-employed graduates tried to gauge the intention towards emigration or temporary migration abroad by including some questions on the mobility of self-employed graduates. As indicated in Figure 5.39, only 17% of self-employed graduates intended to *move* abroad, while 83% intended to *stay* in the country. Among those that intended to move abroad, 45% planned to stay there *permanently* and 55% *temporarily*.

Figure 5.39: Mobility of self-employed graduates



5.8.1. Mobility of self-employed graduates according to population group

As indicated in Table 5.14, among all self-employed graduates that planned to leave the country *permanently*, 92% were white, 7% Asian and less than 1% coloured. No African self-employed graduates planned to leave the country permanently. Among the Asians and whites, more than a quarter planned to work abroad permanently. More than half of the Africans that planned to go abroad *temporarily*, went there to study and then returned to

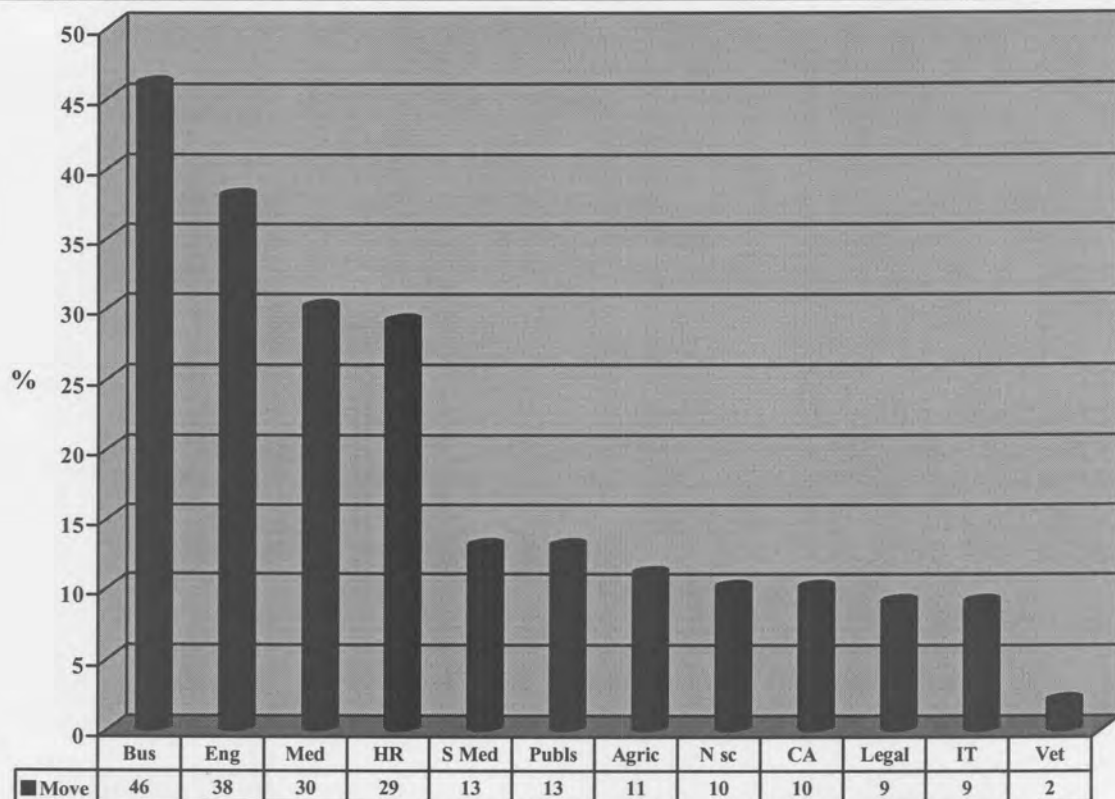
South Africa. The coloured self-employed graduates (56%) mainly went abroad to work temporarily.

Table 5.14: Mobility of self-employed graduates, according to population group

Moving abroad	Asian		African		Coloured		White		Total	
	n	%	n	%	n	%	n	%	n	%
Permanently	304	7.4			8	0.2	3805	92.4	4117	100.0
Temporarily	277	5.9	56	1.2	47	1.0	4314	91.9	4694	100.0
Reason for moving abroad	Asian		African		Coloured		White		Total	
	n	%	n	%	n	%	n	%	n	%
Work(ing) abroad permanently	163	28.0		0.0	8	14.7	2347	28.9	2518	28.6
Stay(ing) abroad permanently for reasons other than work	141	24.3		0.0		0.0	1458	18.0	1599	18.2
Work(ing) abroad temporarily and then return(ing) to SA	155	26.7	17	29.8	31	56.4	3546	43.7	3749	42.5
Study(ing) abroad and then return(ing) to SA	79	13.6	33	59.4		0.0	181	2.2	294	3.3
Study(ing) abroad, then work(ing) for a short while, then return	31	5.3	6	10.8	10	17.9	241	3.0	287	3.3
Will depend on conditions (crime etc.) in SA	12	2.1		0.0	6	11.0	346	4.3	364	4.1
Total	581	100	56	100	55	100	8119	100	8811	100

5.8.2. Mobility of self-employed graduates according to occupational field

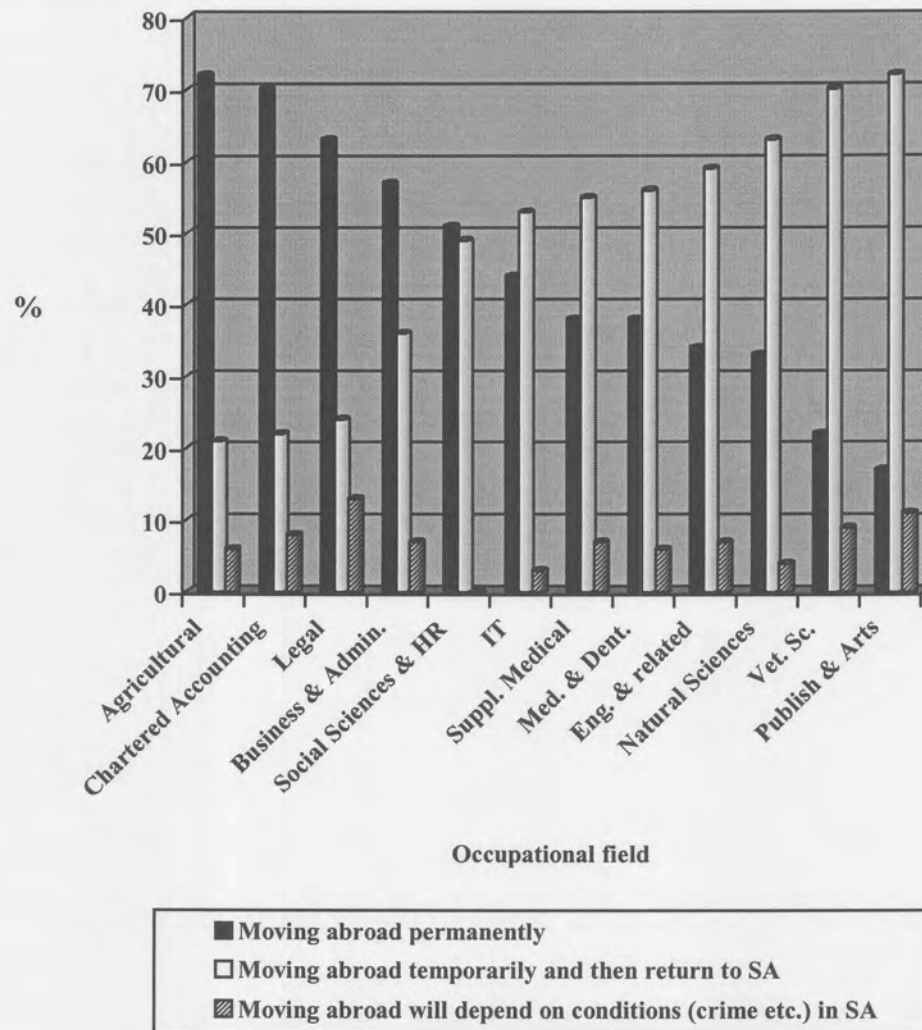
Self-employed graduates in the business field (46%) were most likely to move abroad, either temporarily or permanently. Also in the engineering & related field (38%), medical & dental field (30%), and social sciences & HR field (29%) more than a quarter had the intention to leave or have already left the country either temporarily or permanently. In the supplementary medical services (13%), publish, advertise & creative arts field (13%), agriculture & related field (11%), natural science field (10%), chartered accounting field (10%), information technology field (9%), and legal field (9%), only a moderate number had the intention to move abroad. Those in the veterinary science field (2%) were the least inclined to move abroad. Refer to Figure 5.40.

Figure 5.40: Mobility of self-employed graduates, according to occupational field

Bus = Business, Eng = Engineering & related, Med = Medical & Dental, HR = Social sciences & HR,
 S Med = Supplementary medical services, Publs = Publish, advertise & creative arts,
 Agric = Agriculture & related, N sc = Natural science, CA = Chartered Accounting,
 IT = Information technology, Vet = Veterinary science

The reasons why self-employed graduates in the various occupational fields moved abroad, varied. As can be seen in Figure 5.41, self-employed graduates in most of the occupational fields who had plans to go abroad intended to work or study abroad *temporarily* and then return to South Africa. The majority of self-employed graduates who went abroad and planned to work or stay abroad *permanently* were in the agricultural & related field (72%); chartered accounting field (70%); legal field (63%); business field (57%); social sciences & HR field (51%), and IT field (44%).

Figure 5.41: Nature of stay abroad, according to occupational field



5.9. Summary: Self-employed graduates in South Africa

5.9.1. Profile

Nearly a quarter of self-employed graduates were in the business field. Male self-employed graduates dominated in all occupational fields, except in the so-called “soft sciences” like publishing, advertising and creative arts; and the social sciences and HR field where female self-employed graduates outnumbered males. Females should be stimulated more to become self-employed in the hard sciences (paragraph 5.2.3).

Occupational fields, in which no other population groups, but whites featured, were natural science and veterinary science. Africans, coloureds and Asians were the least represented in all occupational fields that self-employed graduates engage in (paragraph 5.2.4).

Most self-employed graduates were in their middle ages and first studied, got training and work experience before becoming self-employed. This stresses the importance of job opportunities that should be available to get experience before self-employment (paragraph 5.2.5).

5.9.2. Nature of businesses

Half of the self-employed graduates embarked on self-employment by starting a business from scratch. However, females and those from previous disadvantaged groups took this route to a larger extent. To buy an existing business and to become subcontracted, were approaches followed by very few self-employed graduates. Older self-employed graduates were more inclined to join existing businesses or to do freelance work, while younger self-employed graduates tended to start a franchise or become subcontracted. The middle age group were the ones that predominantly started from scratch (paragraph 5.3.1.4).

According to the literature, to grow or not to grow, is an occupational choice that is taken by the self-employer (paragraph 1.2.2). It is not necessary proof of success, as there are those who are successful, but do not wish to grow. When comparing the self-employed graduates who do not have a growth orientation with those who indicated that they have an intention to grow their businesses, it is clear that a growth orientation occurs in the *earlier stages* of a business. In all occupational fields, companies with the *lower mean years of existence* had the intention to grow in future (paragraph 5.3.2). This confirms international experience that shows young, small firms grow most rapidly, with growth slowing as enterprises matures

(Levy 1998:6). This is promising in the light of the fact that research has indicated that survival rates more than double for firms which grow, and the *earlier in the life* of the business that growth occurs, the higher the chance of survival (Timmons 1994:13).

Almost half of the self-employed graduates were more likely to have a sole proprietorship than any other form of business, as it is the easiest to form and simply an extension of the owner, while all profits go to the sole proprietor. A close corporation and a private company were almost equally chosen as form of business. Partnerships were formed the least among self-employed graduates. Female self-employed graduates, Africans, coloureds and Asians were the least likely to form partnerships (paragraph 5.3.3.2 & 5.3.3.3).

Self-employed graduates predominantly had micro to very small businesses. The less mature a business, the smaller the business. Growth lies in the smaller businesses. Most firms, however, were staying *stable*, while a third only intended to grow in future. Job creation is taking place to a certain extent in the chartered accounting field, business field and the natural science field. Down sizing is taking place to the greatest extent in the agricultural and related field, and the engineering and related field (paragraph 5.3.4.3).

In growth-orientated businesses, self-employed graduates had a lower mean age, while older self-employed graduates tended more to scale down. The majority of self-employed graduates in all population groups (except the African group) had no intention to grow or scale down their firms. Two-thirds of the African self-employed graduates, however, were planning to grow in future (paragraph 5.3.4.5).

The median annual business turnover for self-employed graduates in a sole proprietorship was R150 000, for those in close corporation it was R650 000, while for those in a private company or partnership, it was R2,5 million. Self-employed graduates in a sole proprietorship (form of business that most self-employed graduates engaged in) earned the highest median, annual business turnover in the agricultural and related field, medical and dental field and the chartered accounting field. Those in the social sciences and HR field, as well as the publish, advertise and creative arts field, were in the lower turnover brackets. Female self-employed graduates tended to fall more in the lower turnover cohorts. White and Asian self-employed graduates were more evenly spread over the various turnover brackets, while African and coloured self-employed graduates tended to fall more in the middle turnover cohorts (paragraph 5.3.5.5).

5.9.3. Skills

Perseverance was the most important quality to have for self-employment. Crucial for self-employment were leadership skills, innovation skills, technical skills and communication skills. Leadership skills were especially important in the start-up phase. Those with a growth orientation tended to rate most skills higher than those who did not have an intention to increase their staff complement. Female self-employed graduates, Africans, coloureds and Asians and those in the earlier stages of self-employment tended to rate networking and communication skills for accessing markets higher. Leadership contributed to innovativeness in a firm's early stages, but an adjustment in management style was required as a firm matured (paragraph 5.4).

5.9.4. Motivation

Research has revealed that entrepreneurs rarely cite making money as a motivating factor. Those that found a new business are much more likely to state that they wish to contribute to the welfare of their community. Personal satisfaction through the control of the many and complex variables is a major motivation (Chapter 2, paragraph 2.2). Self-employed graduates predominantly shared in this entrepreneurial characteristic. *Personal and job satisfaction* was the main inspiration among self-employed graduates. Those that helped themselves in the end contributed to society and created jobs for others. Self-employed graduates' greatest motivation for becoming self-employed was the desire to be *independent* (paragraph 5.5).

5.9.5. Constraints

High taxation was experienced as the most problematic constraint. Self-employed graduates in all population groups experienced high taxation as very problematic. Abroad, favourable tax deductions for the self-employers, stimulated entrepreneurship. The *time it takes to establish a clientele* was also seen as a big stumbling block. Self-employed graduates themselves could partially attribute it to market constraints, but on the other hand, also to poor marketing. Larger businesses dominated the market, because of better infrastructure, human resources, other resources and established networks. A major problem was that there just were not enough qualified people in all the various population groups to enable smaller businesses to be competitive.

Crime hampered business. Crime undermined confidence, necessary for growth and investments. Crime affected the African group to the greatest extent. Many felt that given

the high taxation in the country, more protection from the police force against criminals was expected (paragraph 5.6).

Access to *finance / capital* has come out as an urgent felt need. Africans, coloureds and females indicated to a greater extent that it was hampering their efforts in setting up businesses. There seemed to be a lack of knowledge about available financing programmes that aggravated the problem (paragraph 5.6).

The perception among some self-employed graduates that *labour market laws* impact on their businesses, the high unemployment in the country and the fact that most self-employed graduates indicated that they did not wish to increase the staff complement of their companies (even those who had a high turnover), place a question mark on the appropriateness of the present regulations and legislation. Even if many of the legislative requirements were not applicable to most self-employed graduates, the *perception* was there that it impacted or will impact on their businesses if they would increase the staff complement. Even a perception has its consequences. It is crucial to address the legislation constraints and communicate clearly that which is required from micro and very small firms as opposed to that which is required from medium and large firms in more simplified terms (paragraph 5.6.5 & 5.6.11).

To obtain qualified employees, was another major problem experienced by self-employed graduates. Interviews revealed that the labour laws made small businesses defenceless during tendering procedures, since they did not have the necessary infrastructure and qualified employees. Micro and very small businesses as a result of poor infrastructure and less qualified employees had no time for strategic planning. Even when small businesses took it upon themselves to train employees, time and again qualified staff was lost to larger companies (paragraph 5.6).

Inadequate *communication and networks* were another constraint that hampered self-employed graduates in setting up and running their businesses. Various other factors that were listed were rated as less problematic. Africans, coloureds and Asians indicated to a great extent that they did not have sufficient opportunities to get practical experience before becoming self-employed. These groups also had stumbling blocks to a greater extent in obtaining proper premises. Society also needs to eliminate stereotypes so as to increase more the acceptance of females in the business world (paragraph 5.6).

5.9.6. Success

The importance of a correct *attitude* was revealed in the factors that contributed to success of self-employed graduates. Success begins with oneself and one's attitude towards life, as it was indicated that *hard work*, *ethical behaviour* and one's own sense of *responsibility*, were the main contributing factors to success. Perseverance, hard work, trustworthiness, and responsibility can be achieved by *true leaders* who use transformational processes to achieve goals and persuade others to accept their vision for the organisation. Open communication builds trust that leads to more open communication and more trust. Following a right attitude, there were knowledge with regard to the product/service, attention to customers' needs, experience, skills, postgraduate training, appropriate personal characteristics, and financial skills that contributed to success. All population groups agreed on the factors that contributed to success. Those with growth orientation scored most of these factors even higher. Although, very small firms did not have the resources and time to do much strategic planning, it was important when a change and growth were envisaged. The community benefited from the service/products that self-employed graduates had to offer. Other effective approaches were to secure a niche market, good interpersonal relationships, a multidisciplinary approach, to use state-of-the-art-equipment, to provide a trustworthy service/product, to be one of a few in specific area, a participative management style, customised services, and by targeting specific markets. By improving themselves, self-employed graduates improved and contributed to society (paragraph 5.7).

In order to deal with change and turbulent environments, organisations must incorporate communication mechanisms for coordination. The *network strategy* of organization is appropriate for organisations that have to cope with high levels of uncertainty. In growth organizations, close collaboration of a manager with other people was necessary in resolving differences and in inspiring others towards a common goal. By empowering members, the *relational strategy* attempts to create a flexible, responsive organization that is open to innovation and change.

5.9.7. Mobility of self-employed graduates

There is much speculation about the movement abroad of highly skilled South Africans. It is however a very sensitive question to ask. The fact that most *self-employed* graduates intended to stay in the country cannot be extrapolated to all graduates in the country. Self-employed graduates took a long time to build up a clientele (paragraph 5.6.2) and it would be difficult to establish networks in a foreign country and become self-employed abroad. The present loyalty of self-employed graduates must be nurtured, by addressing the main constraints to self-employment:

- *high taxation*;
- training and education in order to provide graduates with the *skills to establish a clientele* (especially the development of skills in relationship marketing) and the establishing of an environment that provide opportunities to build-up a clientele;
- *crime*; and
- addressing the *perception* that the requirements of especially the Labour Relations Act impact on job creation. Proper communication of the impact of labour laws on self-employment is adamant.

Chapter 6

Conclusions and recommendations

6.1. Introduction

Self-employment is seen as the driving force of economic growth that creates new jobs. In South Africa there has been a growth of 15% in self-employment since 1991. Unfortunately, failure is the rule. True entrepreneurship entails value creation for owners, stakeholders, customers, employees and the economy as whole. South Africa with its high unemployment urgently needs to assure that self-employment is truly entrepreneurial rather than only a job substitute to merely survive. It has been indicated that successful SMMEs were generally run by *highly educated* and *experienced* entrepreneurs the world over. In South Africa, 95% of the highly skilled self-employers were successful. The majority, however, had no intention to grow their businesses in future. Occupational fields in which self-employed graduates planned to create job for others in future were mainly in the *accounting field*, *business field* and *natural science field*. *Down sizing* were taking place to the greatest extent in the agricultural and related field, and the engineering, building and related field. If these highly educated employers were to be inspired to create more jobs, the constraints they experience, should be addressed with urgency.

6.2. Conclusions

6.2.1. Education and training

The development of human capital is the first step towards economic growth. *Quality of education* and not just the quantity of education is crucial. Most self-employed graduates were in the *business field* and it was found in the study that *experience* with an employer for those in the business field tended to be longer before embankment on self-employment. The importance of experience applied to self-employed graduates in all fields however, as most first got experience before becoming self-employed, but the business world, especially, will need to open up opportunities for getting experience. More *females* need to follow a career in especially the business field.

Africans, coloureds and Asians are underrepresented in *all occupational fields* that self-employed graduates engage in. Africans, however, were mostly under represented in the natural sciences field, veterinary science field, engineering and related field, and also in the publishing, advertising and creative arts field. Coloureds need to move more into the natural science field, agricultural field, veterinary science field, social sciences and HR field and chartered accounting field. Asians were mainly underrepresented in the natural science field, IT field, veterinary science field and the publishing, advertising and creative arts field.

In the natural science field also, self-employed graduates tended to work for an employer longer than those in other occupational fields before embarking on self-employment and this stresses the need for appropriate opportunities for getting experience in the natural science field. Tertiary institutions and other relevant natural science institutions will have to co-operate in order to provide the necessary opportunities. Education is the first step towards successful self-employment and tertiary education was rated high among self-employed graduates.

6.2.2. Skills

All (regardless of gender, race, occupational field, or age) regarded *perseverance* as the most important quality to have in becoming self-employed.

Genius, the power that dazzles human eyes, is oft but perseverance in disguise.

H.W. AUSTIN

Given perseverance, crucial *skills* to have, were technical skills, leadership skills, managerial skills, financial skills, pro-activity, innovation and creative skills, and communication skills. Businesses at various stages of maturity, tended to accentuate different skills. This is in line with findings that centralised leadership for instance may contribute to more innovation in a firm's early stages, but that an adjustment in management style may be needed as a firm matures. *Communication* was especially important in the earlier stages of self-employment when contacts with customers and suppliers needed to be made and intense marketing was required. Communication was also more important when growth was planned. The survey found that a participative management style and flat structure were very much in the order of the day. Creative use of group discussions and interaction were reported. Females, Africans, coloureds and Asians tended to rate communication and networking skills higher than their counterparts rated these skills. *Managerial skills* also played a more prominent role during

the first few years of self-employment than during the later stages of a business. *Leadership* and *innovative* skills were especially crucial when growth was envisaged, although leadership was also very important at the start-up phase. A leader is needed to pull together a number of people in reaching a goal. A leader is required to communicate, inspire, establish an effective working relationship and build trust. The role of communication is subsequently summarised in paragraph 6.2.7.

6.2.3. Motivation

Personal satisfaction, through the control of many complex factors, is a major motivation. Job and personal satisfaction, and not money, were the main inspiration to get self-employed. Self-employed graduates were mainly ‘drawn’ to contribute to society through applying their knowledge and were mostly not ‘pushed’ into self-employment. Only 13% were ‘pushed’ into self-employment, while among the 13%, only 4% were driven by a *poor economic situation* to become self-employed. In becoming *independent* through self-employment and thereby helping themselves, they also in the end contributed to society in addressing needs by using their knowledge and creating jobs for others. The main incentives were much the same for self-employed graduates in all four population groups.

6.2.4. Success

Those that had the intention to *grow* their businesses in future and become true entrepreneurs, indicated that they required more than just the necessary *technical skills* that were obtained through education, training and work experience. The importance of a correct *attitude* or *predisposition* was revealed in the factors that contributed to success of self-employed graduates. Among the self-employed graduates, 95% indicated that they were successful. Success begins with oneself and one’s attitude towards life, as it was indicated that *hard work*, *ethical behaviour* and one’s own sense of *responsibility*, were the main contributing factors to success. True entrepreneurship is contributing to society, as was also said by Winston Churchill: “We make a living from what we get, we make a life from what we give.” (cited in the Sunday Times Business Times, 27 October 2002:23). Following a right attitude, it was indicated that knowledge with regard to the product/service, attending to customers’ needs, experience, skills (as mentioned previously), postgraduate training, community needs, appropriate personal characteristics, and financial skills were crucial. All population groups agreed on the factors that contributed to success. Those with growth orientation scored most of these factors even higher. Although, very small firms did not have the resources and time to do much strategic planning, it was important when a change and growth were envisaged.

Females and males also agreed to a large extent, although females tended to be more *people orientated* as they regarded customer service, personal characteristics, community needs, contacts/networks, a unique product, support (other than financial) from friends and family, and advertising more important than males did. Factors such as a unique product, contacts, and advertising were more the focus of females as it was important for them to get a foot in the door and to take advantage of opportunities previously not available to them. Males were more *technical orientated* and accentuated tertiary education, financial discipline, managerial experience, financial experience, a business plan, and financial support from the formal banking sector. Males indicated that access to finance contributed to their success to a large extent, while females had to rely more on other factors in building their businesses. The community benefited from the service/products that self-employed graduates had to offer and that was their main claim to fame. Other effective approaches were to secure a niche market, to have good interpersonal relationships, to follow a multidisciplinary approach, to use state-of-the-art-equipment, to provide a trustworthy service or product, to be one of a few in specific area, to have a flat structure by using a participative management style, by providing customised services, and by targeting specific markets. By improving themselves, self-employed graduates improve and contribute to society.

6.2.5. Constraints

High taxation was experienced as most problematic. Taxes contributed to high production costs, bigger overheads and smaller profits. As most self-employed graduates had sole proprietorships, the proposed lower corporate tax rates for SMMEs as stated in the White Paper, or exemption from taxation, if profits were less than a minimum amount, would not apply to most of them. Abroad, favourable tax deductions for the self-employers, stimulated entrepreneurship. A financial basis for the national budget and social security measures must be ensured, but initiatives of the self-employed should not be blocked. Self-employed graduates in all population groups experienced high taxation as very problematic.

The *time it takes to establish a clientele* was also seen as a big stumbling block. It could partially be attributed to market constraints, but on the other hand, also to poor marketing by self-employed graduates themselves. Market constraints included problems with cumbersome and complicated tendering procedures and procurement. Many business regulations and local government red tape hindered market access. Larger businesses dominated the market, because of better infrastructure, human resources, other resources and

established networks. Because of the scarce skills, smaller companies could not compete. A major problem was that there just were not enough qualified people in all the various population groups to enable smaller businesses to be competitive. Larger businesses had better incentives. As was indicated, inadequate communication and networking between smaller and larger firms also contributed to problems to a great extent. Competition was more prominent than co-operation among businesses. Corruption and bribery also contributed to market constraints to a large extent. There was a strong perception of unfair business practices.

Self-employed graduates themselves, however, must be competitive in addressing the needs of society and provide that which is in demand according to requirements and standards. Reliable, trustworthy services and products are required. Niche markets must be found and unique services and products are competitive. An oversupply of either products or services in a specific area, leads to disillusionment. Proper marketing of services and products require skills. To read market demands correctly, require skills. To know the environment and adapt pro-actively, require skills and this boils down to training and experience. Public, central marketing services could possibly have a valuable positive impact on the supply of marketing services to SMMEs.

Crime hampered business in the country. Crime undermines confidence, needed for growth and investments. Crime affected Africans to the greatest extent. High crime caused major losses and damage. Many felt that given the high taxation in the country, more protection from the police force against criminals was expected. Businesses had to go to extreme costs in providing security at business premises themselves. Interviewees indicated that the police force gave priority to the follow-up of crime rather than preventing crime from happening. Local government should be given more responsibility in preventing crime.

Access to *finance / capital* has come out as one of the most urgent felt needs all over the world. In this survey, however, self-employed graduates in the country experienced it to a greater extent than those abroad. Africans, coloureds and females indicated to a greater extent that finances were hampering their efforts in setting up businesses. According to a World Bank discussion paper on the business environment in Southern Africa, however, collateral requirements of South African banks are relatively liberal by the standards of developing countries. There seemed to be a lack of knowledge about available financing programmes that aggravated the problem. Interviewees indicated that cash-flow problems

were hindering the run of their businesses and soft loans (in the range of R50 000 to R200 000) with lower interest rates would be most welcome in alleviating their financial situation. The provision of risk capital for smaller businesses also remained very limited. It was indicated that businesses that could survive at least *two years*, should be considered as credit worthy by the formal banking sector.

As most self-employed graduates had very small businesses and the requirements of most of the acts did not apply to them, it was inquired during interviews why self-employed graduates experienced such major problems with the requirements of some of the acts (the *Labour Relations Act, Basic Conditions of Employment Act and Employment Equity Act*). It was clear that all self-employed people still had to adhere to many administrative procedures and red tape in running their businesses and self-employed graduates with small businesses did not wish their businesses to grow beyond the levels of more than 50 employees. At that stage their businesses were exempted from certain legislation. It was perceived by these very small businesses that the regulatory environment influenced them. The laws seemed to make it impossible to dismiss unproductive workers, push up wages and managerial costs in the process to draw up employment equity plans and to submit annual audits to the Department of Labour. Some were reducing employment because of the effect of labour regulation. The costs of compliance with legislation and regulation were too high in an environment of increasing international competition and could force SMMEs to shut shop, or not employ more people. As it was perceived unreasonable difficult to get rid of unproductive employees, employers indicated that they found it an obstacle to hire people. In order to meet their demands, many self-employed graduates resorted to temporary labour and subcontracting.

To obtain qualified employees, was another major problem experienced by self-employed graduates. Scarce skills were an international problem experienced by SMMEs though. Interviews revealed that the labour laws made small businesses defenceless during tendering procedures, since they did not always have the necessary infrastructure and qualified employees. Complex and difficult tenders, called for support from skilled staff and infrastructure. Many a self-employer had to be a Jack-of-all-trades who is human resources manager, accountant, lawyer, public relations officer and administrator all in one. It was more difficult for smaller companies than for larger companies with better incentives to attract qualified employees. Even when small businesses took it upon themselves to train employees, time and again qualified staff was lost to larger companies. It was felt that medium and larger companies should be penalised for robbing smaller counterparts of their

human resources and that smaller businesses should get subsidies for training people as well as giving them opportunities to get experience and acquire most sort after skills.

Self-employed graduates were not indifferent to the protection of workers and their security, as *satisfied employees* were rated quite high as a factor contributing to success of self-employed graduates. Employers, however, felt that they also needed to have the right to demand minimum labour standards and protection against collective bargaining in order to be productive in an ever-increasing global competitiveness. At present industrial councils do not address the needs of very small businesses. During interviews it was mentioned that there was a need for better control over the granting of some certificates and other qualifications that were not always up to standard as well as corruption in acquiring certain qualifications.

Inadequate *communication and networks* were another constraint that hampered self-employed graduates in setting up and running their businesses. Larger companies in the past had an advantage regarding interaction opportunities. The literature overview highlights the importance of communication and networking in starting and running a business and also gives examples of successful networking among smaller businesses. Very small businesses can network more to jointly take opportunities and become more competitive by sharing marketing services and skills.

Various other factors that were listed, were rated as less problematic: Requirements of the Skills Development Act, requirements of the Occupational Health and Safety Act, insufficient opportunities to get practical experience before becoming self-employed, requirements of other acts, labour problems (the larger companies, however, had more labour problems) the social/cultural environment, physical working conditions (females had more constraints regarding the physical working conditions), obtaining a business site, inadequate training and education opportunities, inappropriate qualifications, requirements of the Competition Act, requirements of the Usury Act, personal characteristic, and gender discrimination which was more of an obstacle to females.

To be successful, self-employed people needed support structures that were in place. A balance needed to be found between business, family and recreation. Males on the whole seemed to have more support in this regard. Females tended to experience more problems with the impact of family and upbringing and traditional role allocation in the family social upset, in running their businesses. Society needs to adapt more to accommodate the female

self-employer and infrastructure should be developed to provide support systems. There is also a need for more visible role models and access to a variety of seminars on topics to address problems experienced by females and give opportunities for networking. Females also still experienced gender discrimination, although it was less of a problem than most of the other problems mentioned. Society needs to eliminate stereotypes so as to increase more the acceptance of females in the business world.

The prominence that self-employed graduates gave to the labour market laws, the high unemployment in the country and the fact that most self-employed graduates indicated that they did not wish to increase the staff complement of their companies (even those who had a high turnover), place a question mark on the appropriateness of the present regulations and legislation. Even if many of the legislative requirements were not applicable to most self-employed graduates, the perception was there that it impacted or will impact on their businesses if they would increase the staff complement. Even a perception has its consequences. It is crucial to address the legislation constraints and communicate clearly that which is required from very small firms as opposed to that which is required from medium and large firms in more simplified terms.

6.2.6. Mobility

There is much speculation about the movement abroad of highly skilled South Africans. The survey among self-employed graduates tried to gauge the intention towards emigration or temporary migration abroad. Only 17% of self-employed graduates intended to *move* abroad, while 83% intended to *stay* in the country. Among those that intended to move abroad, 45% planned to stay there *permanently* and 55% planned to move *temporarily*.

Among all self-employed graduates that planned to leave the country *permanently*, 92% were white, 7% Asian and less than 1% coloured. No African self-employed graduates planned to leave the country permanently. Self-employed graduates in most of the occupational fields, who had plans to go abroad, intended to work or study abroad *temporarily* and then return to South Africa. The majority of self-employed graduates who went abroad and planned to work or stay abroad *permanently* were in the agricultural & related field, chartered accounting field, legal field, business field, social sciences and HR field, and the IT field. Those in the publishing, advertising and creative arts field and those in the veterinary science field, were the least to move abroad permanently.

The relatively low emigration figure is proof of the loyalty of most self-employed graduates and their will to work and make this a better country. However, it is crucial that government takes note of the constraints, as many self-employed graduates did not have the will to grow in fear of detrimental consequences for their businesses.

6.2.7. The role of communication

From the process viewpoint the focus is on the *process* by which organisations are created in order to encourage growth. From the process viewpoint the individual who creates the organisation (the entrepreneur) takes on other roles (innovator, small business owner, vice-president, et cetera) at each stage of the organisation. Although different roles are required at various stages of development, at each stage communication is crucial:

- prior to the start-up phase, networks with a high level of interaction should be developed, as networks link entrepreneurs to resources and provide information exchange opportunities;
- once the venture has been initiated and begins to grow, the leader needs to become more concerned with communicating the vision or plan with providing subordinates with the power to accomplish tasks and participate in the process. If established organisations seek to become more entrepreneurial, traditional hierarchy and formalised processes should be replaced by flatter hierarchies and tolerance for ambiguity. Room must thus be made for intrapreneurship in an organisation that wishes to keep up performance and growth;
- today more and more organisations begin to think long term. Relationship marketing is the creation of customer loyalty. Important customers need continuous attention. A leader should not just spend time managing a business, but very important also is relationship marketing and understanding customers;
- modern society's organisations often encounter pressure for change due to environmental factors from outside. Communication as a substructure of an organisation can be an effective tool for management in the safeguarding of correct choices and the realisation of favourable outcomes. *Dissipative* communication is effective when an organisation needs innovation and creativity. For development over time, opportunity recognition continues to be important. *Integrative* communication is productive when a crisis is over and the organisation needs control and planning. Transforming an organisation's culture structure requires communication to lead people in the desired direction. (Chapter 2, paragraph 2.3.4);

- for venturing and further growth, enhanced information and organisational communication systems are crucial. Instead of focusing on the roles of managers and their organisation in the hierarchy, attention to enhanced communication systems focuses on the information sharing relationships among managers;
- network organisations motivate and control units through three complementary routes. First, *trust* is cultivated in the network by working together or through reputation. Generally trust is assessed informally through direct experience of others. A second source of motivation in network organisations is an *inspiring task*. A meaningful goal can inspire individuals in the network to work hard. A third source of motivation and control in a network is *network-based formal system for monitoring and control of activities*. Information technologies are often employed to keep track of project plans and information that allows units to coordinate activities. A full disclosure information system is comprised of *accounting-information system and electronic communication systems* (Chapter 3, paragraph 3.3.4);
- founder CEOs often lack sufficient management skills to help their firms make critical life cycle stage transitions, and instead rely on their own narrow technical views. Firm performance suffers, as a result, and in many cases new leaders are needed to help effect successful stage transitions. In rapid-growth organisations, to get results, close collaboration of a manager with other people is required in resolving differences, managing others, but also growing managerial talent as well (Chapter 2, paragraph 2.3.5);
- charismatic leaders have the ability to create a vision of where the organisation is going and how to achieve those goals and to persuade others to accept that vision. This is the quality that is required from *entrepreneurs*. Visionary leadership displays personal integrity and a willingness to take reasonable risks and give of oneself of the good of the organisation and demonstrations of personal warmth and charm, including showing concern for employees and their lives outside the organisation (Chapter 3, paragraph 3.3.2);
- transformational leadership relies also on ambiguity. Ambiguity allows different people to interpret the same message in different ways, helping to maintain diversity of viewpoints. When the organisation faces problems or changes, this diversity can lead to innovative solutions and this is entrepreneurial leadership;
- communication *in* an organisation is essential, but communication is also very important among organisations. In especially developing countries, networking and communication is crucial to form linkages among small, medium and large

organisations to develop an integrated economic system. When linked with other firms in the domestic economy, large-scale enterprises can provide a market for intermediate production of goods from smaller industrial firms;

- communication is taking place when meaning is transmitted and shared between the sender and the recipient. To achieve accurate and full interpretation, perceptions should not be distorted. The legislative and regulatory systems that impact on SMMEs and their growth should therefore communicate clearly that which is required from SMMEs. Even if many legislative requirements are not applicable to self-employers, the *perception* that legislative requirements do impact on their businesses, can have consequences such as the fear to increase the size of businesses. The importance of communication for self-employment is thus all encompassing.

6.3. Recommendations

- *quality* education and not just quantity of education for all, is the priority for this country. South Africa's macroeconomic policies and trade reform seem to be credible, but there is still a lack of sufficient investment responses. The answer might rather lie on a *microeconomic level*. The private sector in South Africa is largely characterised by small informal, unregulated, and unrecorded activities that fulfil a survival function. Local entrepreneurs lack the technical, managerial, accounting, communication, marketing, and sales skills required for successful entrepreneurship in the global village. Exports need to be differentiated, of high quality, and tailor-made to the needs of the consumer and that will require *quality education*. Computational skills are needed by entrepreneurs for the sound financial management of their businesses, to adopt new technology, and to equip workers with the needed tools to manufacture high-quality, value-rich exports (Naudé 1998:303-308). A narrow technical orientation is however not all that is required. For development over time, opportunity recognition continues to be important. To recognise opportunities an entrepreneurial approach is required in companies. An entrepreneurial approach implies stimulation of ideas and innovation through communication. Potential entrepreneurs need to acquire *leadership* skills that help them to make critical life cycle stage transitions in their companies. In growth organizations, close collaboration of a manager with other people is necessary in resolving differences and in inspiring others towards a common goal. For this communication skills need to be improved;

- more co-operation between tertiary institutions, government, and the business world with regard to contents of programmes and opportunities for *practical experience* is required;
- the correct *attitude* needs to be formed among future entrepreneurs. Without *perseverance* and the passion for *hard work, trustworthiness* and *responsibility*, all the knowledge and opportunities is to no avail;
- skills to acquire for successful self-employment are: technical skills, leadership skills, managerial skills, financial skills, pro-activity, innovation and creative skills, and communication skills. Most of these skills can be addressed and should be addressed by secondary and tertiary education;
- role models, however, are required in society to develop *leadership* skills among the youth. An *example* is a powerful mentor / teacher. Older people can be *models* for the younger generation. Entrepreneurs through their example can inspire younger people to start businesses (Chapter 2, paragraph 2.2);
- effective leaders are both task orientated and people orientated. They emphasise goals, facilitate interaction and work, are supportive of personnel, and encourage personnel development for future leadership. In rapid-growth organisations, to get results, close collaboration of a manager with other people is required in resolving differences, managing others, but also growing managerial talent as well;
- a major motivation is *job satisfaction*. In helping themselves by becoming *independent* through self-employment, a contribution to society is made and others are served through applying knowledge and also by creating jobs for others. *Forced self-employment*, as a result of a poor economic situation and retrenchment is not a recipe for job creation, but a positive will to work and serve society, can contribute to success and job creation;
- favourable tax deductions for self-employers can stimulate entrepreneurship. A financial basis for the national budget and social security measures must be ensured, but initiatives of the self-employed should not be blocked;
- market constraints need to be addressed. Cumbersome and complicated tendering procedures and procurement needs to be revised. Regulations and local government red tape have to be revisited and amended where necessary;
- very small firms did not have the resources and time to do much *strategic planning* necessary for future *growth* and for reducing risks in seeking opportunities. More would probably contemplate future growth if they had more support, infrastructure, and human resources with the necessary skills available. Centralised services could

alleviate some of these problems and the adaptation of tendering procedures to accommodate very small firms should seriously be considered;

- corruption and bribery are unacceptable. Unfair business practices block economic growth and should be seriously looked into;
- the market playing field needs to be levelled by a competition policy enforced by the Competition Board;
- co-operation among all businesses, micro, very small, small, medium and large should be encouraged. Incentives and penalties should be introduced to encourage co-operation from bigger firms. Mentorship, training opportunities, supply of infrastructure, equipment and skills should be made available by larger, mature businesses to help and support smaller and inexperienced firms. Partnerships should be encouraged;
- business associations should become more representative. Those with the necessary skills, should however take it upon themselves to create and become part of associations;
- self-employed graduates themselves, however, must also be armed with all that is necessary to access the market. It is necessary to have an ear on the ground in order to provide which is in demand, and according to the required specifications. Quality education and training that addresses marketing skills is once again crucial;
- public, central marketing services can possibly have a valuable positive impact on the supply of marketing services to very small firms;
- given the relatively high taxation in the country, more protection from the police force against crime are expected. Businesses had to go to extreme costs in providing security at business premises themselves;
- the police force should give priority to the *prevention* of crime rather than the follow-up of crime;
- *local government* should become more responsible for preventing crime and for the training of local officers;
- by introducing *municipal courts*, the load at magistrate courts can be alleviated, as municipal courts can handle the less serious crime cases;
- the South African financial system should become more accessible to self-employers. Available finance programmes, however, should also be communicated better and wider;
- soft loans (in the range of R50 000 to R200 000) with lower interest rates would be most welcome in alleviating the financial situation of some very small businesses;

- the provision of risk capital for smaller businesses should be looked into;
- businesses that could survive at least *two years*, should be given credit worthiness by the formal banking sector;
- the costs of compliance with legislation and regulation are too high in an environment of increasing international competition and can force SMMEs to shut shop, or not employ more people. The laws that impact on labour (the *Labour Relations Act*, *Basic Conditions of Employment Act* and *Employment Equity Act*) need to be revisited and revised in order to give employers more rights and enable them to be productive and competitive. Even a perception of a negative impact can contribute to fewer jobs being created;
- protection against *collective bargaining* for very small firm employers is required in order for them to be productive in an ever-increasing global competitiveness. At present industrial councils do not address the needs of very small businesses;
- labour laws make very small businesses defenceless during tendering procedures, since they do not always have the necessary infrastructure and qualified employees. Complex and difficult tenders, call for support from skilled staff and infrastructure. Tender procedures need to be streamlined to accommodate very small businesses;
- provincial and local governments should reduce restrictive legislative and other regulatory redtape;
- many of the tender documents and acts also need to be simplified in order to be more accessible by all;
- medium and larger companies should be penalised for robbing smaller counterparts of scarce skills and very small businesses should get subsidies for training people as well as giving them opportunities to get experience and acquire most sort after skills;
- there is a need for better control over the granting of some certificates and other qualifications that are not always up to standard as well as corruption in acquiring certain qualifications. Employers need protection in this regard;
- very small businesses can network more to jointly take opportunities and become more competitive by sharing marketing services and skills;
- workshops and seminars sponsored by the private sector, government and tertiary institutions need to be encouraged in order to provide very small firms the opportunity to network more;
- opportunities to obtain appropriate business sites and premises need to be improved by local government;

- society needs to adapt more to accommodate the female self-employer and infrastructure should be developed to provide support systems. Females themselves, however, can work towards this end;
- there is a need for more visible role models and access to a variety of seminars on topics to address problems experienced by females and give opportunities for networking;
- females still experienced gender discrimination to some extent. Society needs to eliminate stereotypes so as to increase more the acceptance of females in the business world;
- the relatively low emigration figure is proof of the loyalty of most self-employed graduates and their will to work and make this a better country. However, it is crucial that government takes note of the constraints, as many self-employed graduates did not intend to create more jobs in future in fear of detrimental consequences for their businesses. Even if it is just a *perception* of rigidity, the perception should be rectified, by communicating in more clear terms that which is required. Labour market flexibility for very small firms needs to be revisited and adapted where necessary.