

**Young male necessity entrepreneurs: a case study in Soshanguve**

by

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## Declaration of Authenticity

I Stephens Skosana declare that this mini-dissertation is my original work. Where secondary material has been used (either from a printed source or from the internet), this has been acknowledged and referenced in accordance with the requirements of the Department of Sociology, Faculty of Humanities, University of Pretoria.

Signature.....

Date.....

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ANC	:African National Congress
ASGISA	:Accelerated Shared Growth Initiative of South Africa
CASE	:Community Agency for Social Enquiry
CBD	:Central Business District
DTI	:Department Of Trade and Industry
GDP	:Gross Domestic Product
GEAR	:Growth, Employment and Redistribution
GEM	:Global Entrepreneurship Monitor
NYDA	:National Youth Development Agency
RDP	:Reconstruction Development Programme
SEDA	:Small Enterprise Development Agency
SMMEs	:Small, Medium and Micro Enterprises
TEA	:Total Entrepreneurial Activity
UYF	:Umsobomvu Youth Fund

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## **Abstract**

This study focuses on young male necessity entrepreneurs based in Soshanguve township. It identifies unemployment as the primary factor that compels young people to seek self-employment opportunities. The study engages the participants on the challenges they encounter in business ventures and how they overcome them. Of particular importance, is the role of social networks in necessity entrepreneurship. In this regard, evidence suggests that entrepreneurs with strong social networks establish more successful business ventures than entrepreneurs with weak social networks. In light of the challenges that most necessity entrepreneurs encounter, building social networks is a strategy that places their business ventures on a secure footing.

## **Opsomming**

Hierdie studie fokus op jong manlike noodsaaklikheids-entrepreneurs in Soshanguve. Dit identifiseer werkloosheid as die primêre faktor wat jongmense noodsaak om self-indiensnemingsgeleenthede te soek. Die studie ondersoek die deelnemers se mening in verband met die uitdagings wat hulle in die gesig staar in hul besigheidspraktyke en hoe hulle dit die hoof bied. In die opsig bevestig gegewens dat entrepreneurs met sterk sosiale netwerke meer suksesvolle ondernemings vestig as entrepreneurs met swak sosiale netwerke. In die lig van die uitdagings wat meeste noodsaaklikheids-entrepreneurs in gesig staar word die bou van 'n sosiale netwerk 'n strategie wat hul onderneming op 'n gevestigde grondslag plaas.

## Chapter 1

### Introducing entrepreneurship

#### 1.1 Introduction

South Africa as a developing country has a high unemployment rate. Only a proportion of the economically active population find employment in the formal sector. Youth are particularly affected due to a lack of work experience and skills employers require from prospective employees. According to Statistics South Africa, using the restricted definition of unemployment, the country recorded an unemployment rate of 25.2% during the first quarter of the year 2010 (<http://www.statssa.gov.za>). This implies that over a quarter of economically active population are in the job market seeking employment.

Compounding the problem of high unemployment in South Africa has been the 2008-2010 global economic downturn which impacted adversely on the already unstable South African labour market (Hofmeyr 2009:5).

Unemployment in South Africa aggravates social problems like poverty, crime and recently — xenophobic attacks by South African citizens against other foreign nationals. Those who instigate these attacks claim that foreigners take their jobs. As has been indicated, the youth are particularly hard hit by unemployment (Leibbrandt *et al.* 2010).

Apartheid shaped life chances of South Africans, contributing to the racialisation of poverty (Mathole 2005:20, Leibbrandt *et al.* 2010:22). Although, the demise of apartheid in 1994 and the introduction of the new democratic government raised expectations for better living conditions amongst black South Africans, there has been widening gap between those black South Africans who have benefited and a majority who have not benefited by the change (Seekings 2007:1). The black economic empowerment policies

introduced by the government to combat poverty have benefited a black elite at the expense of the majority of South Africans who still live in poverty (Rogerson 2004:772).

In an attempt to address poverty and unemployment among the youth, the government established a youth agency named: National Youth Development Agency (NYDA). This agency was tasked with the mandate to provide support to the South African youth to start and grow their own businesses in order to maximise their economic participation in the economy (National Youth Development Act, 2008).

The effectiveness of NYDA has been questioned. Critics view it as a reincarnation of Umsobomvu Youth Fund and the National Youth Commission as staff of the two discredited agencies were re-employed. These agencies were dissolved because they did not meet their mandates. They rather provided patronage that advanced the interest of politically connected individuals. Thus, critics predicted that the same problems that led to the dysfunction of Umsobomvu Youth Fund and National Youth Commission are likely to occur (*The Times* 27/08/2010; *Mail & Guardian* online 16/06/2009).

In the context of unemployment, young people explore the possibility of establishing their own businesses. Their ventures are usually necessity led because they establish them as a result of unemployment. This study pays attention to the role of social networks amongst necessity entrepreneurs.

## **1.2 Describing entrepreneurship**

Chigunta *et al.* (2005:2) see entrepreneurship as a rational action and a response to social conditions. In impoverished communities, entrepreneurial activity implies resisting becoming a victim of adverse social conditions caused by unemployment and poverty by striving towards changing such circumstances through self-employment initiatives. Entrepreneurship in such circumstances denotes social agency or willed human action to improve their economic and social conditions (Oxford Dictionary of Sociology 1998:10).

Davis (2002:3) regards entrepreneurship as a social process through which successful entrepreneurs can better the lives of others if their ventures grow to create jobs for unemployed. In this way, entrepreneurs could contribute positively towards resolving social problems such as unemployment and poverty. It is worth noting that entrepreneurs' success or failure have consequences for the communities in which they operate. If an entrepreneur in an impoverished community fails, services may be withdrawn and job(s) lost. Rogerson (2006) contends that entrepreneurship in the Free State has been crucial in improving most households economic income in spite of being constrained by factors such as a lack of financial support, entrepreneurial training, market development and infrastructure.

If entrepreneurship is considered in terms of its contribution towards the broader society, it transcends common perceptions that link it simply to business economics and profit maximisation. The contribution that entrepreneurs make to their communities, whether by way of bringing goods and services within the reach of the community members (Van der Waal & Sharp 1988:144) or by creating jobs for others (Kesper 2001:177) portrays entrepreneurship as an important social activity (Mahadea & Pillay 2008:431).

According to Van der Waal and Sharp (1988:144) the informal sector, where necessity entrepreneurs operate, often distributes income rather than generates income or employment opportunities or revenue. For instance, people who brew beer or practice as herbalists in the townships, do not necessarily create wealth enabling them to employ others. They rather provide community members with affordable or convenient goods and services that otherwise would have been expensive or difficult to access in the formal sector. The Global Entrepreneurship Monitor (GEM) report reveals that only 10 new jobs are created for every 100 start-up businesses. This does not portray a positive picture about entrepreneurship as a source of job creation in South Africa (GEM Report 2005:22).

In contrast, Valodia (2006:1) argues that the informal economic sector has the potential to contribute positively towards the country’s economic growth, but ironically this sector is said to be receiving little attention.

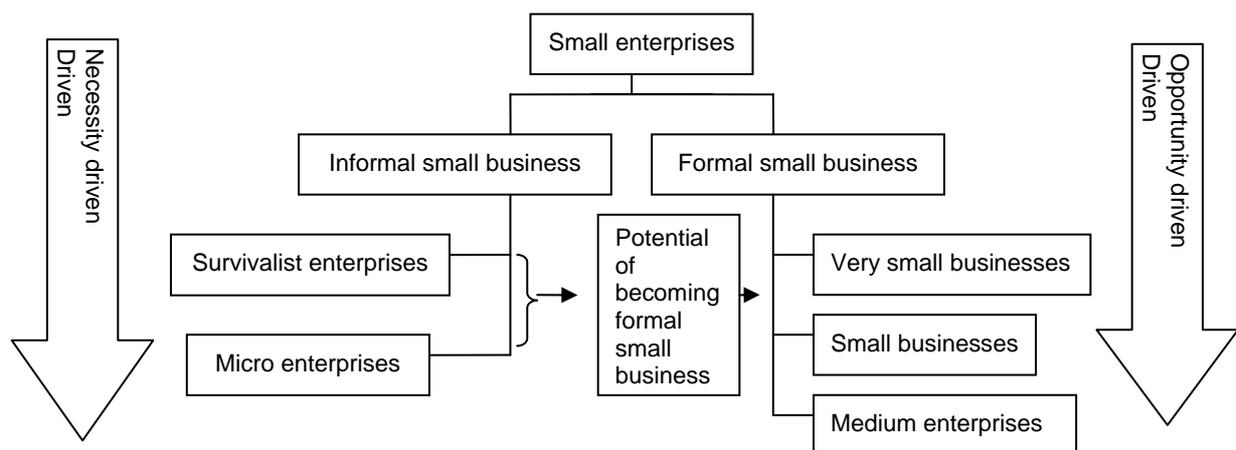
Although there are contrasting views about the potential of entrepreneurship to generate employment opportunities, there is consensus that by bringing services closer to people, entrepreneurship can be beneficial to communities.

### 1.3 Context of the study

This study focuses on entrepreneurial activity in the informal sector. In South Africa, this sector is characterised by a diverse activities such as tuck-shops, hawkers, subsistence farmers, salon owners and other informal business activities (Kunene 2008:18). Tuskin (2001:10) cited in Kunene (2008:18) schematically classifies small enterprises as informal and formal (see figure 1).

### Classification of Small Enterprises

**Figure 1**



**Adapted from: Kunene (2008:18)**

Informal small businesses can be divided into survivalist enterprises and micro enterprises. These business activities are informal because they are not licensed, taxed or audited

(Kunene 2008:18). These entrepreneurs usually run their small businesses at the street corners, taxi ranks, train station and homes. The income generated is sometimes only enough to sustain their subsistence needs; hence the nature of their business (survival entrepreneurship). Survivalist enterprises can develop into micro enterprises and over time micro enterprises may develop into formalised small businesses that may develop into medium enterprises (Davies & Thurlow 2009). However, for the purposes of this study, focus is on the survivalist enterprises.

Entrepreneurs, who support large families, sometimes find it difficult to save some money for the development of their businesses because of family social needs (Obeng & Anderson 2010). There is a constant balance that necessity entrepreneurs need to maintain between money spent on family survival needs and for keeping their businesses operational (Amoros & Cristi 2010:6). Due to the survivalist nature of necessity entrepreneurship, this balance is often difficult to maintain. The subsistence needs for some entrepreneurs outweigh the income that their businesses generate (Frese & de Kruif 2000:20).

Necessity entrepreneurs buy their merchandise from the formal sector and sell it to their customers at a particular price. According to Davies and Thurlow (2009:8) goods in the informal sector are usually sold at negotiated prices. People buy these goods because of their convenient nature (Van der Waal & Sharp 1988:144). For example goods that are only available in bulk in the formal sector, are sold as separate items in the informal sector. People also prefer to buy from the informal sector because of the flexible transactional arrangements that can be made when purchasing certain goods. Prices are set high in case the customer insists on a discount. However if customers do not mind paying the price that appears on a particular item it is sold on that price. The price that appears on a particular item, is not the final one as it is the case in the formal sector, it can be negotiated until the item is sold at half the price that it was initially intended to be sold at (Zuin 2004:15).

Necessity entrepreneurs have potential to formalise their business depending on how much passion and determination they have towards growing and developing their businesses (see figure 1). In fact, it is argued that some successful entrepreneurs today started on the informal business environment and had with time and hard work, gradually progressed to the formal sphere of business (Davies & Thurlow 2009). Regardless of the debates on the contribution that the informal business sector makes to South African economy, it is still not afforded adequate attention (Agupusi 2007:5).

#### **1.4 Problem statement**

Entrepreneurship can be singled out as one of the initiatives that potentially may contribute positively towards the economic livelihoods of many young people in the context of limited opportunities for employment in the formal sector. However, several factors hinder such a contribution (Herrington *et al.* 2009; Groenewald & Van Vuuren 2007; DTI 2008).

First, a lack of entrepreneurial spirit is evident in South Africa (CASE 2005:35). South Africa was ranked 19<sup>th</sup> out of 37 countries in 2002 in terms of Total Entrepreneurial Activity (TEA). The Global Entrepreneurship Monitor (GEM) uses TEA to measure entrepreneurial activities in the countries (Foxcroft *et al.* cited in Burger *et al.* 2004:3). In 2008, South African was ranked 23<sup>rd</sup> out of 43 participating countries. The TEA rate of 7,8% was below the average of 10,6% for participating countries (GEM Report: 2008:22). This data suggests that South Africa has failed to adequately stimulate entrepreneurial activity, with its ranking dropping between the two periods mentioned above.

A lack of entrepreneurial spirit among black South Africans is attributed to different factors. Some attribute it to the effects of apartheid (Kellett *et al.* 2002:36; Rogerson 2000:12), some to the current social grants policy (Co 2003; BuaNews online 19 February 2011) and some to weak social networks (Greve & Salaff 2003).

During apartheid, entrepreneurship was limited and even prohibited among black South Africans. According to Rogerson (2000:12) the prohibition of entrepreneurship in South African urban areas by Apartheid government found its expression in influx control policy by which black South Africans were denied an opportunity to acquire permanent residential rights in urban areas where most economic activity took place. This prohibition deprived them of the opportunity to fully engage in the country's economic activities.

In the 2011 state of nation address, President Zuma indicated that the current social grant policy needs to be reviewed so that only deserving people are entitled to social grants. He emphasised that the able-bodied people must not receive social grants. Zuma's assertion was informed by concerns from some policy analysts who argued that South Africa is fast becoming a welfare state in that some of the people receiving social grants are capable of themselves earning a living by finding jobs or establishing their own businesses. Close to 15 million people country-wide receive social grant. This constitutes 30 percent of the overall population (BuaNews online 19 February 2011).

Weak social networks among entrepreneurs also remain a constraint (Greve & Salaff 2003:2). Social networks are important because they facilitate entrepreneurs' access to information, financial aid, social capital and other business related opportunities (Bartol & Zhang 2007:1). Not only do social networks facilitate entrepreneurs' business opportunities, but also make personal and professional development possible (Ibarra 1993:471-501). Entrepreneurs with weak social networks may not be able to have access to similar business or social opportunities as those with strong social networks because of a lack of information (Brand *et al.* 2007:190; Greve & Salaff 2003:2).

In light of what has just been discussed, the study aims to consider the following research questions:

- To what extent do social networks facilitate the success of entrepreneurs in the informal economic sphere?

- What difficulties do entrepreneurs experience in the informal economic sphere?
- How do entrepreneurs deal with the difficulties they experience in the informal economic sphere?

## **1.5 The objective of the study**

This study aims to examine the influence that social networks have in necessity entrepreneurship. Necessity entrepreneurship is often driven by harsh social conditions that force people into self-employment. The context within which necessity entrepreneurship takes place, as well as the challenges or difficulties that necessity entrepreneurs encounter and deal with is explored in this study.

## **1.6 Factors that influence necessity entrepreneurship in South Africa**

In order to understand entrepreneurship, push and pull factors are considered. Push factors induce people towards entrepreneurial activity. Unemployment is usually the principal push factor that necessitates entrepreneurial activity among most young people in order to survive (Rosa *et al.* 2006:1). The capacity of the South African labour market to absorb new entrants into labour force is a key issue.

Pull factors refer to influences that attract individuals into entrepreneurship. These factors include the desire to be one's own boss, generate extra income and to gain recognition and status. Pull factors are generally associated with positive circumstances or opportunities that young people identify and explore for their own personal and economic benefits (Graaf 2007:18).

### **1.6.1 The South African labour market**

Historically, the South African labour market has not been able to generate adequate jobs to accommodate the increasing number of the country's unemployed youth. *The Financial Mail* (26 March 2010) describes the unemployed South African youth as a ticking time

bomb. The paper reported that 2.5 million young people aged between 18 and 24 years are unemployed.

Altman (2007:6) observes that youth are twice as likely to be unemployed. According to Altman, 58 per cent of young people aged 15-19 and 50 per cent of those aged 20-24 were unemployed in 2005. Most of these young people are said to drop out of school early and add to the already high unemployment statistics. A lack of education is furthermore a contributory factor to unemployment. *The Financial Mail* (26 March 2010) reports that 46 percent of youth stay in school long enough to write matric exam and only 26 percent get their matric certificates. Hence, prospects for employment for a significant proportion of the youth remains grim.

The table below summarises the unemployment rate in two different age cohorts (i.e. 15-24 and 25-34) from the period 2003 to 2008. The unemployment figures are in terms of a restricted definition of unemployment. The table reveals that the absorption of young people into South African labour market remains low.

**Table 1: Unemployment rate for the period: 2003-2008**

Unemployment rate	2001	2002	2003	2004	2005	2006	2007	2008
Age cohort: 15-24 years	37,0	40,9	54,8	51	48,3	46,7	46,5	45,5
Age cohort: 25-34 years	26,4	29,7	31,1	28,6	28,1	26	26	26,1
Overall unemployment rate (SA)	26,4%	29,7%	31,2%	27,9%	26,5%	25,6%	22,7	23,2

**(Adapted from Statistics South Africa 2008 annual Report)**

The table above shows that the unemployment rate of young people in the age cohort of 15-24 remains high. The high unemployment rate in this age cohort is principally ascribed to a lack of education or experience. Employers look for certain skills and qualifications

when they shortlist their prospective employees (Loots 1998 cited in Blaauw & Pretorius 2007:68).

Even with an increase in the annual number of matriculants country-wide, only few are absorbed into the labour market. Unemployment continues to remain a cause for concern (Burger *et al.* 2004).

The second age cohort (25-34) has better employment prospects in the South African labour market compared to the first age cohort (15-24). The table indicates that in 2003, the unemployment rate for the age cohort 25-34 was high at 31,1%, slightly below the overall South African unemployment rate (32,2%). Some scholars have attributed this general peak in unemployment rate in 2003 to the introduction of Growth, Employment and Redistribution Strategy (GEAR) as the country's economic policy (Adelzadeh 2009; Visser 2004). GEAR promoted the free market system in which the state had a minimal role to play in the country's economic activities. Many jobs were shed particularly at the initial stage of GEAR because of privatisation (Visser 2004:10). The sale of state owned enterprises to private investors provided an opportunity to reduce the pay roll by shedding "redundant" workers (Stiglitz 2002).

## **1.6.2 Economic policies in South Africa**

The dawn of the new democratic South Africa raised many people's expectations. Most of the poor people expected their lives to change substantially. However, the benefits of democracy were not equally harvested (Seekings 2007:2). The quote below summarises these sentiments.

"...There was a vision both of nationhood for all and of substantial improvement in the quality of life for the victims of apartheid. Even those who had been part of the previous oppressive minority were buoyed by a

sense of new-found pride in a nation that could hold its head in the global community...” (The Dinokeng Scenarios 2009:1)

Guided by a vision of nationhood and intention to bring about tremendous improvement in the lives of ordinary South Africans, the government introduced the Reconstruction and Development Programme (RDP). This was an anti-poverty policy emphasising investment in housing, land reform, health care, job creation, electrification of houses, water, sanitation and other social necessities. It was through this policy that the liberation movement, African National Congress (ANC) entered into a tacit social contract with the South Africans with the promise of a better life for all (ANC 1994:15). RDP represented an integrated, coherent socio-economic policy framework that sought to mobilise all the people and the country’s resources towards the direction of eradicating the legacy of apartheid and to build a new democratic system (Wolpe 1995:90). However, concerns soon emerged about the sustainability of RDP as the country’s economic policy. Policy makers realised that distribution without growth was not sustainable. Moreover South Africa had just been reincorporated into the global economic system where free market system dictated economic policy direction (Stiglitz 2002). Consequently, a decision to adopt and implement GEAR was unilaterally taken by a few senior ANC officials in 1996 without engaging labour. The decision to implement GEAR as the country’s economic policy was contested by the Congress for South African Trade Unions (COSATU). COSATU regarded GEAR as a pure capitalist system aimed at benefiting an elite at the expense of the working class (Visser 2004:6-7).

Integral to GEAR was the creation of job opportunities through privatization of state-owned enterprises, market liberalization as well as attracting foreign direct investments (Adelzadeh 1999:22). One of the main objectives of GEAR was to create 1,3 million additional jobs in the period between 1996 and 2006. Growth was to be achieved through job creation. Contrary to GEAR’s envisioned job creation opportunities, more than 1 million jobs were instead lost in the period between 1996 and 2004 (Visser 2004:10). It was during this period (2003) when the South African unemployment rate peaked at 31,2.

The unemployment rate for those in the 12-24 year age cohort was considerably higher (54,8%)

GEAR's lack of success in generating jobs led to the introduction of the Accelerated Shared Growth Initiative of South Africa (ASGISA). This programme was introduced in 2004 by the then deputy president Mlambo-Ngcuka and operated concurrently with GEAR. The fundamental aim of ASGISA was to halve poverty and unemployment by the year 2014 (ASGISA Annual report 2006:1-34). However, the pace at which employment creation under GEAR took place before the recent global recession highlighted that it was unlikely that ASGISA would achieve these objectives within the stipulated time frames (Altman 2007:3).

According to the report compiled by the Solidarity Research Institute in December 2008, many prominent South African companies had either retrenched employees or were in the process of retrenching them. The economic downturn particularly affected the mining sector (Solidarity Research Institute: 2008).

Mahadea and Pillay (2008:431) observe that South Africa has in its White Paper on National Strategy for the Development and Promotion of Small Business, singled out support and cultivation of Small, Medium and Micro Enterprises (SMMEs) as a crucial policy dimension to curb the challenge posed by unemployment.

In the context of unemployment, entrepreneurship is a necessity rather than choice (Blaauw & Pretorius 2007:65; Haasje 2006:49). The inability of the labour market to absorb sufficient number of young people into formal employment leaves them with few alternative survival strategies, one being the establishment of their own business ventures (Nieman *et al.* 2003:39).

## **1.7 Factors that influence opportunity entrepreneurship**

Individuals may be attracted to entrepreneurship because of the desire to be in control, generate extra money, take advantage of particular opportunity in the market or make their mark among other successful entrepreneurs (Graaf 2007:18). According to Chigunta (2002) young people in developed countries cite quest to become their own boss as the main impetus behind their entrepreneurial activity. Other reasons provided are the belief that entrepreneurship provides an alternative route to advancement or making extra money.

Most research projects undertaken under GEM since its inception in the year 1997 indicate that contribution of opportunity ventures to employment creation has always been significant compared to that of necessity ventures. The Global Entrepreneurship Monitor (GEM) contends that countries with more opportunity driven entrepreneurship have low levels of early stage entrepreneurial failure whereas developing countries, in which necessity entrepreneurship dominates, the opposite happens (SAIRR 2006/7: 235).

## **1.8 Three stages of youth entrepreneurship**

Chigunta (2002) conceptualises entrepreneurship in terms of three development stages each of which presents certain challenges that entrepreneurs must manage and overcome. His model provides a framework for understanding entrepreneurship. It is based on a comparative study of youth entrepreneurial activity in developed and developing countries. He links age to certain stages of entrepreneurship. For the purpose of this study the stages of the development of entrepreneurship are considered without linking them to a particular age cohort.

### **1.8.1 Pre-entrepreneur stage**

Chigunta (2002:8) calls the first stage a probationer or transitional period. He argues that majority of entrepreneurs in this stage are just from school or the comfort of their own homes and making their way into labour market. He contends that due to limited life experience, most of the young people venturing into entrepreneurship at this stage possess

no or little business training. He links the pre-entrepreneur stage to youth between 15 and 19 years. In South Africa a significant proportion of youth within this age cohort will still be at school and not fully engaged in entrepreneurial activity.

The role of social network and family support is particularly crucial in this stage (Shane & Cable 2002:367). It is at this stage that entrepreneurs need more targeted support on their ventures. GEM Research has shown a high failure rate of ventures in the pre-entrepreneur stage (Herrington *et al.* 2009). If more newly formed business ventures succeed, the country's economy is likely to grow. According to GEM, there is a relationship between the country's economic development and the extent of entrepreneurial activity. This means that countries with a high total entrepreneurship activity (especially opportunity entrepreneurship) have better prospect of acquiring economic growth than countries with low entrepreneurial activity (Rosa *et al.* 2006:2).

The 2008 GEM report highlights the following about pre-entrepreneurs:

“The poor sustainability of start-ups in South Africa relative to other countries in the GEM sample also highlights the need for policy interventions aimed at supporting and mentoring entrepreneurs through the difficult process of firm birth. Too often the support offered begins and ends with the provision of a generic business plan” (Herrington *et al.* 2009:33).

The successful triumph over challenges associated with pre-entrepreneurship stage also paves way for more business opportunities for entrepreneurs concerned (Urban *et al.* 2008:60).

### **1.8.2 Budding entrepreneur stage**

Budding entrepreneurs fall under the category of those who have just started their own ventures and are between the ages of 20 and 25 years. The main challenge for young entrepreneurs in this stage is to ensure the survival and growth of their businesses. Chigunta (2002:7) contends that accelerating the enterprise growth and productivity requires a particular tactical skill from the entrepreneur concerned. This requires knowledge of business and financial management as well as access to working capital. For ventures to remain competitive, Chigunta argues that, entrepreneurs need such training. The challenge is usually two fold here, some entrepreneurs focus on the immediate aim of making money and disregard training; whilst others, due to information deficiency or a lack of necessary resources, may find it difficult to access such training (Frese & de Kruif 2000:20; Erikson 2002:281).

### **1.8.3 Emergent entrepreneur stage**

The final entrepreneurial developmental stage is that of emergent entrepreneurs. This stage consists of youth between the ages of 26 and 30 years who have gained experience in entrepreneurship. The principal challenge is to maintain commercial viability and venture competitiveness. Due to their experience in business, entrepreneurs falling under this stage stand a better chance to succeed in their entrepreneurial activity as compared to Pre-entrepreneurs and Budding entrepreneurs (Chigunta 2002:8).

Scholars have observed that entrepreneurs that usually succeed happen to have good social networks (McFarlin *et al.* 1999:65; Low & MacMillan 1988:14; Shane & Cable 2002:377). Social networks facilitate entrepreneurial activity by helping entrepreneurs connect with people who may be of help to their ventures. Not only do social networks connect entrepreneurs to relevant people, but they also serve as an important source of information exchange. Information is a valuable resource. Entrepreneurs need information that will facilitate acquisition of financial aid, training and more business opportunities necessary for business development (Burt cited in Swedberg 2000:286).

## **1.9 Conclusion**

The South African labour market has failed to create enough jobs. It has further suffered a heavy setback due to the global economic recession. In this context the promotion of entrepreneurship not only becomes an important government policy imperative, but a necessity and a means to an end for the unemployed. Chigunta (2002) emphasises that entrepreneurial activity is not easy. It is a process that evolves through a series of stages, each characterised by certain challenges. Entrepreneurs need to overcome all these challenges.

## Chapter 2

### **The role of social networks and social capital in entrepreneurship**

#### **2.1 Introduction**

Entrepreneurship involves recognising business opportunities and making full use of them. Such business opportunities are facilitated by social contacts and the information disseminated through social networks. This chapter pays attention to the role of social networks in entrepreneurial activity. Business opportunities and the overall entrepreneurial success can be enhanced by social connections or networks. Social networks facilitate social capital accrual and ability to access valuable information instantaneously. Entrepreneurs with strong social networks are better positioned to get business referrals for funding, training as well as other business opportunities (Shane & Cable 2002:377).

#### **2.2 Contextualising social networks**

Holt (2008) points out that entrepreneurship requires an ability to recognise and exploit opportunities. Individuals identify and pursue opportunities open to them. He contends that opportunities are socially constructed and success in identifying and exploiting them depends upon social networks. In this regard Holt (2008:53) argues that:

“the [p]ursuit of opportunities is a relational and hence collaborative achievement. So to understand entrepreneurial opportunity is to understand how entrepreneurs experience and negotiate the collaborative practice of being in business; it is to theorize their ability to skillfully integrate themselves and their ideas within established patterns of activity” (Holt 2008:53).

Writing on funding business ventures, Shane and Cable (2002:377) argue that social ties serve as a mechanism through which information deficiency in financing can be overcome.

Entrepreneurs may rely on their networks for information on how to access financial assistance and related matters such as training in skills or how to manage their businesses. In this regard social networks play an important role in entrepreneurship.

### **2.3 Functions of social networks**

Burt (cited in Swedberg 2000:286) suggests that access, timing and referrals are key functions of social networks. The information disseminated by social networks can facilitate access to opportunities. Timing refers to when information from social networks is received. The better connected the entrepreneur, the easier such information will be received, and the better placed he or she will be to capitalise on it. Referrals ensure that an entrepreneur's name gets mentioned and presented to the opportunity at the right time in the right place regardless of his or her presence. The notions of 'access', 'timing' and 'referrals' serve to highlight how important social networks are in entrepreneurial activity. Once established, social networks can be beneficial on the entrepreneur. A lack of social networks implies minimal entrepreneurial opportunities (Podolny 1993: 829-872).

The abovementioned variables also apply within the context of necessity entrepreneurship – albeit on a on a more modest scale. Social network may ensure access to useful information which may ensure competitive advantage about places where cheaper goods or merchandise can be purchased for reselling. Utilising this information when available may result in being able to access funding at the pre-entrepreneur stage. For the existing ventures, this information may be used in the referral of new customers (Shane and Cable 2002:377).

### **2.4 The development phases of social networks**

Greve and Salaff (2003:7) identify a motivation, planning and establishment phases in entrepreneurship. They contend that social networks play a particular role in each of these phases and probably expand and develop over time.

During the motivation phase, entrepreneurs conceive and conceptualize their business ideas. In this phase the entrepreneur may discuss the likelihood of establishing his venture with a small circle of close social contacts.

The motivation phase is followed by the planning phase which mainly entails careful planning and preparation for establishing the venture. This phase is characterised by a search for relevant information, development of skills and securing of financial resources necessary to establish the business venture. Social networks play a key role in accessing such resources and hence developing and expanding a network is an important matter in this phase (Greve & Salaff 2003:7).

The last phase is the establishment phase. In this particular phase, an entrepreneur will have deepened and anchored his or her social networks. The focus is now on the most useful external contacts that ensure the smooth running and growth of the venture (Greve & Salaff 2003:7-8).

The three stages of entrepreneurship described by Chigunta (2002) and the development phases of entrepreneurship by Greve and Salaff (2003) overlap to an extent. As highlighted by Chigunta, pre-entrepreneurs rely on family members for financial assistance and support. Likewise, Greve and Salaff (2003) observe such a tendency during what they term as motivation phase. During this phase Greve and Salaff (2003) contend that entrepreneurs may reveal their business ideas to their family members and a circle of close friends. These individuals serve as an immediate social network or social capital base for such entrepreneurs.

Chigunta (2002:7) contends that during budding entrepreneur stage the main challenge for young entrepreneurs is to increase the rate of their business survival, accelerate the enterprise growth and productivity. This requires planning skills in the area of business and financial management. Likewise, Greve and Salaff (2003) emphasise the importance

of planning and the role social network can play in providing relevant information and resources necessary to grow a venture.

From Chigunta (2002) and Greve and Salaff's (2003) conceptualisation of entrepreneurship it is apparent that entrepreneurs have to overcome a number of obstacles. Vecchio (2003 cited in Van Vuuren & Barreira 2008:61) argues that education and work experience are of utmost importance to new business owners. Although work experience and education may be necessary conditions to ensure that young entrepreneurs succeed in their business endeavours; they nevertheless need to be complimented by the development of business networks.

The models of entrepreneurship discussed above suggest that social networks facilitate the exchange of knowledge, access to resources and critical information necessary for establishing business. Therefore, social networks serve as a foundation for social capital to entrepreneurs (McFarlin *et al.* 1999:65).

## **2.5 Social capital and entrepreneurship**

Social capital influences entrepreneurial activity. It is important for entrepreneurs to acquire skill and training that will enable them to create social capital in the communities where their ventures operate. Groenewald and Van Vuuren (2007:272) argue as follows:

“Social capital (experience and advice available from extended family and social networks) is of key importance in start-up and entrepreneurial development. Its role is complementary to that of sources of financial capital, yet it has received relatively limited attention in research with start-up and nascent entrepreneurs, although this is beginning to change.”

Portes (1998:7) contextualises social capital by differentiating it from other types of capital, he argues:

“...Whereas economic capital is in people’s bank accounts and human capital inside their heads, social capital inheres in the structures of their relationship.”

Social capital is embedded in social relations. It is a resource that cannot be detached from the broader social context (Belliveau *et al.* 1996:33). Social capital refers to the actual and potential resources individuals obtain from knowing others, being part of a social network, or merely from being known to them and having a good reputation (Baron & Markman 2000:107). Common to the definitions of social capital is the emphasis placed on social relations and its productive value. According to the definition cited above, social capital is a resource that has a particular value for entrepreneurs. This value can be obtained from social networks. Prerequisites are: Belonging to a social network, being known in the social network and having a good reputation. One can easily become part of the social network, but making oneself known and establishing a good reputation within the social network, requires good business and social skills (Dockel & Ligthelm 2005:55). This is where training becomes crucial to entrepreneurs’ success (discussion follows in paragraph 2.6.1).

The process of establishing social capital follows a particular process of social interaction between the entrepreneur and the community. Entrepreneurs have to demonstrate, through their relationship with their communities that over and above profit making, their ventures are established to service and improve the community’s socioeconomic conditions. Social capital is particularly important in the budding and emergent stages of entrepreneurship (Chigunta 2002:8-10). Entrepreneurs in these stages have already established their ventures and have all efforts focused on the competitive growth and survival of their ventures. This exercise requires a great deal of good social ties with the entrepreneurs’ support base (the community). A good relationship with the community ensures cooperation and reciprocity between the community and the entrepreneur. Business ventures are influenced by their social context (Spence & Schmidpeter 2003:94).

The process of building social capital overlaps with that of establishing social networks. The development of social capital starts with entrepreneurs establishing a rapport with their communities. Rapport can be defined as a relationship of mutual trust, support and respect among people. It is this kind of a relationship that entrepreneurs need to establish, nurture and cultivate with their communities if they want to build themselves social capital. This requires active and constructive engagement with the community (Shane and Cable 2002).

## **2.6 Social capital building blocks**

The South African government is interested in encouraging young people to become job creators rather than job seekers (Brand *et al.* 2007:188). If this ideal is realised, more young people will have a positive contribution, not only to their own socioeconomic status, but the overall economic development of the country (Rogerson 2006). This supports Davis' (2002:3) definition of entrepreneurship. He views entrepreneurship as a social process critical to community socio-economic improvement. Given the social nature of entrepreneurship, entrepreneurs need to acquire certain skills. Of particular importance is the role that training fulfils in equipping entrepreneurs with social skills pertinent to the daily running of ventures. Social skill is an important tool that can be used in the establishment of a social capital. Good social skills facilitate effective relationship and cooperation between the community and entrepreneurs. The ability to interact and get along well with one's customers forms the basis of social capital (Baron & Markman 2000:108).

### **2.6.1 Training in social skills**

The most important training required for entrepreneurs to develop their skill in building social capital focuses on business-social skill development. Entrepreneurs have to develop a healthy relationship with the people around them. This rapport in turn ensures loyalty, cooperation and trust between the community and the entrepreneur concerned. The loyalty

that the community has towards the venture and its success constitutes a source of social capital (Burt cited in Swedberg 2000:286).

Social skill can also help the entrepreneur to market themselves to other parties who may be of help to them. For instance, when required to carry out a business (plan) presentation to the prospective funding body, an entrepreneur with good social skills will be able to engage and interact with his or her audience effectively (Baron & Markman 2000:9). The confidence that comes with good social skills is particularly useful in helping entrepreneurs convince their customers or prospective funding source about the usefulness of a particular product or venture. A successful entrepreneur should be able to master the art of managing and influencing people's perceptions. Good persuasion skills come with good training (Graaf 2007:36). Once entrepreneurs build themselves social capital by means of their social skills, recognition by others follows. Opportunities that emerge from social networks become readily available to such entrepreneurs. In turn this ensures them business referrals. It is at this particular juncture that the influence of the word of mouth becomes significant (Burt cited in Swedberg 2000:286).

Another useful tool resulting from good social skills is social adaptability or versatility. A person who has good social skill can virtually adapt to any social conditions. Not only can such a person easily adapt, but can easily establish social networks. Likewise, entrepreneurs need to make friends and establish continuous and sustainable rapport with strangers. Entrepreneurs are expected to introduce and market themselves to sometimes unfamiliar communities and still strive towards creating lasting first impression. For this, entrepreneurs need to adopt a behaviour that Baron and Markman (2000:109) term: becoming a 'social chameleon'. This describes an ability to adapt behaviour in order to fit and become part of a particular situation or social grouping. Not only is this adaptability required from the entrepreneurs, but also on their ventures to be able to cater for the particular needs and preferences of different people in their communities. Such skills can be enhanced through training in the field of entrepreneurship (Markman (2000:109)).

Zafirovski (2008: 353-354) criticises economic orthodox research on entrepreneurship, which tends to focus on personal traits of entrepreneurs rather than the whole social context in which entrepreneurship takes place. Entrepreneurs should be able to relate to and understand the communities they serve. This understanding comes with the ability of entrepreneurs to actively and interactively engage their customers. Entrepreneurship is inherently a social practice that requires social skills to be carried out efficiently.

Some entrepreneurs do not proceed beyond a pre-entrepreneurship stage because they lack appropriate social skills. Entrepreneurs who manage their ventures through pre-entrepreneur stage — open up a world of possible entrepreneurial opportunities for themselves. It is at this particular juncture that entrepreneurs are expected to be socially competent in building relationships with prospective customers or funding bodies. To succeed they must utilize their social skills to establish robust social networks incorporating different social actors (Watson 2004:43).

## **2.7 Entrepreneurship as a social activity**

If the role played by both social networks and social capital in entrepreneurship is taken into account, Zafirovski's (2008) argument is plausible. Entrepreneurship is a social activity; it is not exclusively economic activity as most economic theorists conceptualise it. Entrepreneurship happens within a particular social structure characterised by certain pre-existing social relations. It is in this social context that entrepreneurs establish their ventures.

Economic orthodoxy disregards the context within which entrepreneurship takes place. In doing so, it also ignores the possible role that social networks and social capital play in as far as entrepreneurship is concerned. Orthodox economists regard entrepreneurs' personal characteristics and profit maximization as the main factors that determine their success. Entrepreneurship is seen as an individual endeavour, aimed at accumulating wealth for economic advancement. Zafirovski (2008:353) disagrees with such an asocial conceptualisation. He contends:

“Economic orthodoxy also commits a psychological fallacy by viewing entrepreneurship as an exclusively individual action presumably induced by pure rational (egoistic) factors...Given this bio-psychological proneness, the neoclassical conception of entrepreneurial action appears to be misguided in that it has an asocial and even an anti-social bias. For it treats this action as taking place outside society (Zafirovski 2008:353).”

When studied from the perspective of economic orthodoxy, entrepreneurship is detached from the broader social context in which it emerges and operates. Entrepreneurial activity cannot be successfully carried out in isolation. Entrepreneurs need their communities, family and friends to succeed.

Marx (1859) unpacked the collaborative social partnership involved in human activities. He was of the opinion that human activity takes place within a social environment. He pointed out that social relations underpin economic activity (Rader 1979:14-24).

As Marx suggests, when entrepreneurs establish their businesses in a particular community, they enter into social relations with the members of that community. The support that members of the community pledge to the venture constitutes the source of social capital.

## **2.8 Conclusion**

Entrepreneurship cannot be separated from the broader societal processes. Weak social networks pose a crucial challenge especially to young entrepreneurs who are just venturing into business. First and foremost, reliable social contacts are necessary for sourcing financial support for ventures. Entrepreneurs are inextricably attached to their communities and other external actors who may provide a particular support base.

Therefore, a mere detached description of entrepreneurs from their context offers a relatively short-sighted understanding of entrepreneurship (Gunnerberg 2003:53).

In light of the observation made in this chapter, one could argue that the social aspect of entrepreneurship has much bearing on the success of entrepreneurs. For entrepreneurs to have their ventures profitable and competitive, they need a loyal and solid customer base. This customer base does not just develop, but it is influenced by the perceptions that members of the community have about the way entrepreneur(s) run their businesses. If the entrepreneur does not seem to have the interest of the community at heart, the community is likely not to provide any support to the venture (Spence & Schmidpeter 2003:95).

## Chapter 3

### Challenges faced by necessity entrepreneurs

#### 3.1 Introduction

Necessity entrepreneurs often find it difficult to save money for the development of their ventures. Their ventures sometimes serve as the only source of income, not only for their immediate family but also for their extended family members. Some necessity entrepreneurs thus survive from hand to mouth (Amoros & Cristi 2010:6). In a context of impoverishment, margins for entrepreneurs remain thin, as a result, this limits the possibility for growing their businesses and making a better profit (Morris & Kuratko cited in Botha 2006:121; Schoof 2006:16).

Over and above the difficult socioeconomic context in which necessity entrepreneurs operate, other factors hinder this type of entrepreneurship. First, weak social networks, second, limited access to government support structures, third, difficulty in accessing financial assistance, and fourth, a lack of entrepreneurial spirit. This chapter considers these challenges with the purpose of developing an understanding of the nature and the context of necessity entrepreneurship. This is important because, necessity entrepreneurship contributes positively to South African economic activity (Dreakins & Freel 2003:229; Rogerson 2006:77) Understanding necessity entrepreneurship can be useful for policy makers to formulate and develop progressive policies that can address challenges that necessity entrepreneurs face.

#### 3.2 Weak social networks

Access to information is crucial for entrepreneurs because, it raises their awareness of support structures, funding, marketing and training (Podolny 1993: 829-872). Social networks help entrepreneurs exchange valuable information among one another, get good business deals, and market their goods to customers through word of mouth. Weak social

networks may put entrepreneurs at a disadvantage compared to those who have strong social networks. It is on this account that some scholars have attributed entrepreneurial success to strong social networks (Holt 2008; Shane & Cable 2002; Greve & Salaff 2003).

### **3.3 Access to government support structures**

Some youth find it difficult to access support structures established by the government (Naude, 2004:10). Compounding the problem of accessibility to government support structures, is the poor organisation and maladministration within certain government youth support agencies. Critics contend that the government has not been successful in establishing an effective and efficient youth agency that could be responsive to the needs and business aspirations of the South African youth (Azapo 2008:2-6; *The Times* 27/08/2010; *Mail & Guardian* online 16/06/2009).

In 2009, the government established a new youth agency called National Youth Development Agency (NYDA), which came as a result of the merger of Umsobomvu Youth Fund (UYF) and National Youth Commission (NYC). This agency aims at promoting the needs and aspirations of youth in different spheres of life, particularly business. NYDA is mandated to equip youth with the ability to recognise opportunities and utilize them (National Youth Development Agency Act 2008:6).

The Umsobomvu Youth Fund and the National Youth Commission were dissolved because of administrative ineffectiveness and failure to deliver on their mandate. These structures were characterised by deep-rooted political interference, financial mismanagement and other management problems (The Presidency 2008:3). Concerns were raised whether the newly established youth agency (NYDA) would be able to reposition itself differently from the legacy left by its predecessors.

A number of submissions were made during the public hearing on the National Youth Development Agency Bill of 2008, by political parties, community structures and other interested parties. Most submissions highlighted the mistakes, shortcomings and failures

of Umsobomvu Youth Fund and the National Youth Commission. This provided a strong warning that NYDA must not fall into the same pitfalls as its predecessors.

In its submission to the Parliamentary ad hoc Committee on the Bill, the Azanian People's Organisation (Azapo) emphasised that NYDA should demonstrate a clear departure from its predecessor's ineffective administration of youth development issues. They highlighted that, it took the National Youth Commission three years before it could adopt an integrated youth development policy. Furthermore, the National Youth Commission's engagement with the civil society was not structured; hence its youth development initiative took place haphazardly without a clear coordination (Azapo 2008:3). Further concerns raised were that the appointment of youth commissioners was not transparent, that it was characterised by political affiliation and not merit. As a result of the foregoing, Azapo argued that the National Youth Commission became an employment agency for certain individuals affiliated to particular political parties (Azapo 2008:2-6).

The Umsobomvu Youth Fund also came under fire for ignoring educational development and for its lack of accountability. Umsobomvu did not have a formal legal mandate as a result it determined its own policy directions. Its functions were not determined by any Act. Whereas, the National Youth Commission, established in terms of Youth Commission Act 19 of 1996 was accountable to the Minister in the Presidency, the Umsobomvu Youth Fund was a section 21 company regulating itself (the Presidency 2008:3).

Both structures were criticised for poor programmes, poor resource allocation and poor targeted support. They adopted and implemented programmes that did not reach the intended population. The only youth that benefited from these programmes were those who could afford access to the internet and telephone. The majority of youth who could not afford access to such facilities were excluded from such services (the Presidency 2008:5).

The maladministration and poor programme implementation of National Youth Commission and Umsobomvu Youth Fund as discussed above necessitated their disbandment and the introduction of NYDA. However, concerns were raised on the effectiveness of this particular agency because it absorbed both the National Youth Commission and the Umsobomvu Youth Fund staff. A complete overhaul and reestablishment of a new and effective youth structure rather than a reconstitution of the two former youth structures could have been preferable.

The government made SMMEs services available through the Department of Trade and Industry (DTI) Small Enterprise Development Agency (SEDA) and KHULA Enterprise Finance Ltd. (the DTI 2008:29). SEDA's mandate is among other things, to provide entrepreneurs with information on tenders information, training, trade information, technical support, coaching and mentoring. KHULA mainly facilitates loans and equity capital to SMMEs by means of loans and credit guarantees (the DTI 2008:29).

The establishment of the abovementioned structures was to enable effective development of SMME's (Watson 2004:22). SMMEs have the potential to create job opportunities, distribute income, and decentralise services and contribute positively to growth of South African economy (Ntsika 2000:38).

Despite the availability of these support structures young people still struggle to get access to them (Naude, 2004:10). In certain cases, these services never even reach the targeted population. Of particular concern is the youth in rural areas as well as those at the lowest levels of the social ladder whose geographic location limit their access to support structures (Clover & Darroch 2005:241).

### **3.4 Access to financial assistance**

Access to funding constitutes a major challenge to South African entrepreneurs. Banks are often reluctant to offer young people who do not have a credit record loans to start small businesses. According to Brand *et al.* (2007:190), financiers have a tendency of being

selective with regard to the ventures they fund. This is primarily due to a risk factor involved in financing ventures that might not be sustainable (Van Eeden *et al.* 2003:13-23; Van Vuuren & Groenewald 2007; Brand *et al.* 2007:188-190; Rogerson 2001:22).

Necessity entrepreneurs find it particularly difficult to access financial assistance because of the nature of their business. The subsistence and informal nature of necessity entrepreneurship makes it less attractive to financial institutions. Some of the factors that make necessity entrepreneurs less attractive to lenders relate to a lack of a credit record, small turnover, business unpredictability and the survivalist nature of their business. Financial institutions require comprehensive business plans and reliable collateral which a majority of the necessity entrepreneurs are not able to secure. Therefore, most of necessity entrepreneurs do not meet the criteria for accessing bank loans (GEM Report 2008:33). The National Credit Act of 2007 has further complicated the prospects of accessing financial help because of the stringent conditions that creditors have to meet before qualifying for credit. Consequently, necessity entrepreneurs rely mostly on personal savings and family support to start their own businesses. (Mahadea & Pillay 2008:433).

### **3.5 A lack of education**

Limited educational attainment or training may affect prospective entrepreneurs' confidence in establishing their own businesses (Herrington *et al.* 2010:43). According to CASE (2005:22) most of the young people who are confident with business, have some kind of formal education or training or belong to families with business background (CASE 2005: 30). Due to a lack of information, skill and expertise in running a business, some young people may fear failure in their business endeavours. Graaf (2007:11) apportions the blame for poor entrepreneurial training to institutions of socialisation such as schools. For South Africa to become an entrepreneurial society consisting of passionate opportunity driven entrepreneurs, there is a need for embedding entrepreneurship into South African education system. This will prepare young people to be job creators rather than job seekers. Graaf (2007:11) argues:

“In general, South Africans are not socialised or educated to become entrepreneurs but rather to enter the workplace as employees. In becoming employees, they become consumers of existing jobs as opposed to creators of new jobs”

The problem of a lack of education is more complicated than simply introducing entrepreneurship as a subject into school curriculum. Sixteen years into democracy, education in South Africa still lags behind other countries. The problem lies at the primary level of the South African schooling system and spirals up to secondary and ultimately tertiary level (Mji & Makgato 2006:253-266). The introduction of Outcomes Based Education (OBE) curriculum furthermore resulted in the decrease of the quality and the number of matriculants (Herrington *et al.* 2009:23).

The *Sunday Independent* Newspaper (10 January 2010), reporting on the statistics released by Centre for Education Policy Development (CEPD), highlighted that of 1 550 790 pupils who entered into the South African education system in the year 1998 only 551 940 made it to the matric exam in 2009. This trend has been persistent because out of 1 548 019 pupils who enrolled in the year 1997, 983 244 dropped out before they could sit for their final matric exams in 2008. Furthermore, 1 676 273 pupils made their way into South African schools in 1995 and 1 147 748 (i.e. 68%) dropped out before writing their 2006 examination (*Sunday Independent* 10 January 2010). School dropouts face the possibility of being unemployed unless they start their own small businesses. However Herrington *et al.* (2009:23) highlight the difficulty faced by school dropouts. They argue:

“A particularly pernicious problem is that the school system is not producing functionally literate students. Many school-leavers do not have sufficient literacy, numeracy and livelihood skills to be able to participate actively in the economy. Those that do attempt to engage in business activities lack managerial, technical and marketing skills, as well as experience, and are

therefore at a disadvantage in a competitive and changing business environment.”

The South African government has an important policy task of correcting the abovementioned education problems for entrepreneurship to develop. Not only is it important to inculcate and institutionalise entrepreneurship into the South African education system as Graaf (2007:11) argues, but it is crucial that the South African schooling system produces proper educated, independent and creative individuals.

### 3.6 A lack of entrepreneurial spirit

The other factor that has bearing in the South African entrepreneurial activity is a lack of entrepreneurial spirit or culture. Refer to the table below.

**Table 2: Opportunity and necessity driven TEA rates across selected countries**

Country	Opportunity driven TEA rate	Necessity driven TEA rate
Egypt	10,5	2,4
India	8	2,5
Bolivia	20,9	8,6
Angola	13,6	9,1
Columbia	13,9	10,1
Mexico	10,1	1,8
South Africa	6,1	1,6
Uruguay	7,9	2,8
Chile	9	3,6
Brazil	8	3,9
Peru	17	8

**Source Adapted from 2008 GEM Report**

According to the table above, South Africa has an opportunity TEA rate of 6,1 percent and necessity TEA rate of 1,6 percent. When compared to African countries in the GEM study (Egypt and Angola), South Africa still lags behind. According to the table, Egypt has opportunity TEA rate of 10,5 percent and necessity TEA of 2,4 percent. Furthermore, Angola has opportunity TEA rate that is more than twice (13,6%) that of South Africa (6,1%) and necessity TEA rate of 9,1 percent which is almost six times more than that of South Africa (1,6%).

According to CASE the drive to venture into business by young people is an important factor that determines their success or failure. Even though entrepreneurs may have been pushed into a self-employment initiative, that should not take away the passion and interest that they must have for their businesses (CASE 2005:35). Three South African sites i.e. Khayelitsha in Western Cape, Zwelitsha in Eastern Cape and Qwaqwa in Free State were studied by CASE (2005) in the study entitled: '*Youth and SMMEs*'. Generally the study's findings pointed towards a lack of employment option as the main factor that necessitates entrepreneurial activity in the three sites. The study found that youth entrepreneurship in the abovementioned sites was not necessarily informed by the desire for business, but a quest for survival. A lack of entrepreneurial spirit therefore serves as a setback in entrepreneurship. Entrepreneurs must develop passion for entrepreneurship so that even when they encounter challenges, they can persevere (CASE 2005:34). A study conducted in KwaZulu-Natal shows that 98% of young entrepreneurs cited unemployment as the main factor that compelled them to venture into self-employment initiatives (Mayrhofer & Hendriks 2003:595).

Success and good results in entrepreneurship are dependent upon commitment and drive. According to CASE (2005:34) for youth to achieve good results in their entrepreneurial activities, they need to have practical ideas, be creative and have sound planning skills. All these come with the willingness to learn and acquire necessary educational training. If the entrepreneur's motive is only to survive certain socioeconomic hardships and not to make the best out of business, his or her business venture may be short lived. Brand *et al.* (2007:191) refers to this type of entrepreneurs as 'survivalists'. The owners start ventures

because they could not get employment and once they get employment, they close them down.

### **3.7 Conclusion**

The South African government needs to develop a plan to fund necessity entrepreneurs. Necessity entrepreneurship is hindered by all the challenges mentioned in this chapter due to its survivalist nature. The main challenges that South African entrepreneurs face range from weak social network, difficulty to access funding, a lack of education and entrepreneurial spirit. These challenges have to be addressed if South Africa is to become a true entrepreneurial society.

## Chapter 4

### Methodology

#### 4.1 Introduction

This study focuses on the experiences of necessity entrepreneurs in Soshanguve township. The reason why my study focuses on male necessity entrepreneurs is because as young black male, the entrepreneurs would more easily relate their experiences to me. Furthermore, the literature shows that there are more men involved in entrepreneurship than women (Herrington *et al.* 2010:41).

The study pays attention to the role of social networks in necessity entrepreneurship and the challenges that these entrepreneurs face and deal with. In pursuing these objectives, the study uses a qualitative research methodology to gain in-depth insight into the abovementioned subject matter (Neergaard & Ulhoi 2007:383). The nature of the study required me to engage the meaning and interpretations that participants attributed to their experiences. As a researcher I had to step into the participants' 'shoes' in order to understand how they made sense of their businesses and how they constructed their social worlds. The main concern of qualitative research is to comprehend and relate participants' experiences in their own words (Denzin & Lincoln 1994). Therefore, qualitative researchers are better positioned to actively engage and comprehend reality as constructed by participants (Schwandt 1998:23). Wildermuth (1993) argues:

“The qualitative paradigm aims to understand the social world from the viewpoint of respondents, through detailed descriptions of their cognitive and symbolic actions, and through the richness of meaning associated with observable behaviour” (Wildermuth 1993, cited in Myers 2000:132).

The unstructured nature of qualitative research ensures more flexibility in the research process. Unlike a quantitative research approach, which is more structured, predetermined, objective and highly controlled; qualitative research methodology ensures a considerable degree of freedom. This flexibility made this study possible because all participants were interviewed during the course of their entrepreneurial activity. Unlike quantitative research which always seeks to control and regulate research subjects, the qualitative research respects the context. It allows participants to construct their own reality based on their daily experiences and relate them without any interference by the researcher (Kumar 2005:12; Walsh 2001:12). Qualitative research methodology does not limit participants' responses to 'yes' or 'no' format or to a pre-ordered response set as is the case with most quantitative survey research. Henning (2004:5) defines a qualitative research methodology thus:

“[I]t is a research form, approach or strategy that allows for a different view of the theme that is studied and in which the respondents have a more open-ended way of giving their views and demonstrating their actions.”

One cannot use a questionnaire with predetermined close-ended questions to understand the experiences of necessity entrepreneurs. An approach that equips the researcher with research tools that enables him/her to probe the social complexities embedded in the meanings and social reality that necessity entrepreneurs attribute to their entrepreneurial experiences is required (Babbie & Mouton 2001:270). Hence a qualitative research methodology was deemed appropriate for this study.

## **4.2 Research paradigm**

The paradigm that the researcher employs to make sense of a topic implies ontological and epistemological assumptions (Guba & Lincoln 1998:195). It is through research paradigms that various methods of drawing a relationship between social worlds, experiences of people and the social context within which life occurs can be understood (Blaikie 2007:3). The key issue in this study was to understand the experiences of

necessity entrepreneurs (i.e. the meaning and the reality they construct and attribute to entrepreneurship). The study therefore hinges on constructionism as its epistemological position.

#### **4.2.1 Epistemological position**

Constructionism is predicated on the following epistemological assumptions: Reality is regarded as the product of social interaction. In the course of this particular social process, it is argued that human beings give meaning to social phenomena and construct their own reality (Blaikie 2007:21). Blaikie explains:

“The notion of constructionism can be applied to both social actors and social scientists. Social actors socially construct their reality. They conceptualise and interpret their own actions and experiences, the actions of others and social situations” (Blaikie 2007:22).

Participants in this study were afforded a platform to reflect on how they conceptualise, understand and make sense of their entrepreneurial activity. Particular interest was on finding out how the participants understand and deal with the challenges they encounter in entrepreneurship and how they interpret their actions and interaction with other social actors in their social network. Their experiences in this regard are analysed in chapter 5.

#### **4.3 Selecting a site**

The first selection made is that of the research site. I purposefully selected Soshanguve for the following reasons: First, ease of access to the research site, second, its size and thus the possibility to engage with a variety of necessity entrepreneurs. Soshanguve is situated approximately 45 kilometres north of Pretoria. Soshanguve falls within the City of Tshwane Metropolitan Municipality. It was established on trust land in 1974 on the former Bantustan border of Bophuthatswana. Soshanguve is an acronym for: Sotho, Shangaan,

Nguni and Venda as these are languages spoken in the area. Soshanguve is also a township characterised by a high level of unemployment (Cameron & Krynauw 2001:1).

Soshanguve is typified by vibrant entrepreneurial activity, most of which is necessity driven. Most of these entrepreneurs specialise in shoe fixing, salons, car wash, tuck-shops, cell phone repairers, motor mechanics and other minor business activities (see table 3). These activities take place in the inner city of Soshanguve. This area consists of a community taxi rank and train station. It is characterised by an influx of people and various business activities.

Soshanguve is the product of apartheid policy that displaced urbanisation geographically and promoted separate development. Black people were kept in the Bantustans/townships away from the cities where industries, wealth and lucrative jobs were concentrated in the hands of white minority. Townships were characterised by unemployment, constant shortage of shelter, poverty and substandard social services. The apartheid government used the Pass Laws to keep blacks in the periphery. Blacks were only allowed in the cities when there was a need for labour force and as soon as the demand subsided, they were sent back to the countryside (Murray 1987:311-329).

In 2006 the population in Soshanguve was estimated at 600 000. People formally employed work in and around Pretoria region and use different modes of transportation to get to their respective workplaces ranging from trains, busses and taxis (Cameron & Krynauw 2001:1).

In light of South African history as discussed above, townships therefore serve as hubs in which necessity entrepreneurship is concentrated. The necessity entrepreneurship in Soshanguve is largely a product of poverty and unemployment that dates back to apartheid era (Murray 1987:311-329). This is the reason why Soshanguve has been chosen as the research site for this study. The pool of entrepreneurs present in Soshanguve CBD served as a great measure of convenience.

## **4.4 Sampling**

Once the site was determined, participants had to be selected. Snowball and convenience sampling methods were used.

Sampling refers to the procedure or method used in the selection or choice of research participants. The choice is informed by the nature of the study undertaken. Mason (2002) defines a sampling as procedure employed specifically for the purposes of selecting and gaining access to participants.

The following selection criterion was drawn up for participants — they had to be male, of the ages ranging between 18 to 35 years and own a business venture with at least one year experience. A total of 15 participants were selected.

### **4.4.1 Snowball and convenience sampling**

This study used snowball and convenience sampling methods. The snowball sampling was valuable in identifying participants at the research site. The first participant interviewed, referred me to his two friends. They agreed to take part in the interview because I did not seem like a stranger to them. The task of securing interviews with other participants was facilitated by referral from one participant to another.

Using snowball sampling enabled me to get a sense of existing social networks among the participants.

Once the chain of referral was exhausted, I resorted to convenience sampling method (mindful of entrepreneurial activities not covered by referrals in snowball sampling). This method forms part of non-probability sampling, in which participants are selected on account of their accessibility and convenience (Masson 2002). I conducted further interviews with participants who were willing to participate in the study.

## 4.5 Negotiating access and establishing rapport

Research requires a process of building relationships with participants based on the principles of trust, honesty, respect and appreciation. The success of any research project hinges on the cooperation that a researcher receives from the participants (Burgess 1984: 107).

There are certain areas in Soshanguve Central Business District (CBD) where entrepreneurial activity is prohibited. This includes the main street into Soshanguve CBD. Municipal authorities have on several occasions ordered all the people engaged in entrepreneurial activity at restricted places to stop. Some entrepreneurs sell packets of cigarettes called “No name” which are also prohibited. Most of the entrepreneurs at my research site had reasons not to trust or share their experiences with a stranger. Some of them, particularly the ones I approached without being referred by other participants, reacted very rudely when I approached them. It was a challenge to gain their trust. To illustrate the difficulty I faced, I relate the following story: One entrepreneur, a salon owner, just looked at me when I greeted him. I then tried to introduce myself and the purpose of approaching him. There were about five people in the salon whose hair we either being styled or shaved. My prospective participant walked to me and showed me the direction from which I came from. He told me that he knows about me and that I was the municipality spy. The customers in the salon could not help but burst into laughter. I felt rejected and humiliated as I left. I however accepted the participant’s right to decide whether or not to participate in the research.

Some participants imposed conditions on me before taking part in the interview. For example, the other salon owner who agreed to participate in the study, put the following conditions: The first condition was that, the interview must not be too long, second, if the customer comes; the interview will have to be terminated. The conditions of the interview were precarious because at anytime, a customer could have walked in and asked for his or her hair to be treated.

Whyte (in Burges 1982: 113) observes that researchers often are initially greeted with suspicion by research subjects who may not have any reasons to trust a stranger. He explains:

“The first concern of the interviewer is to build rapport, to establish a relationship in which people will feel comfortable and confident in talking with him” (Whyte in Burges 1982:113).

In order to build a relationship of trust with my participants I first observed how they operated their businesses and their relationship with their customers and fellow entrepreneurs. I was also transparent in my dealings with them. I told them about my background. I showed them my university student card so that they could see that I was a student. Each day I went to the field, I always greeted them and sometimes had short conversation with those I have already interviewed. In this way, a relationship of trust and respect developed between me and the participants.

#### **4.6 Qualitative interviews**

A qualitative research approach draws its unique nature and strength from its methods of data collection. Its data collection methods require a high level of engagement and active interaction with the research participants. Focus groups, participant observation and in-depth interviews are some of the prominent data collection methods used in qualitative research (Janesick: 1998:117). I opted to use latter two methods rather than focus groups as it would have been extremely difficult to co-ordinate the participants given their extremely busy schedules.

According to Taylor and Bogdan cited in Kumar (2005:124) interviewing involves repeated face-to-face encounters between the researcher and his participants. Although specific open-ended questions were asked in this study, the interviews took the format of a

conversation. In this way participants could openly relate their entrepreneurial experiences — how they perceived, interpreted and made sense of their everyday entrepreneurial activity. In light of this, a qualitative researcher must have good listening skills. The purpose of the interview according to Ely *et al.* (1991:58) “is to learn to see the world from the eyes of the person being interviewed”. The researcher sets the pace by posing an open-ended question followed by probes where necessary. The participant assumes the leading role in sharing his/her experiences on the matter under discussion.

This study used semi-structured interviews in gathering the information shared by the participants. I approached my interviews with the interview guide which consisted of themes. The interview guide was chosen because it allows more space for participants to openly express themselves during the interview but at the same time it helped to maintain the direction and the structure of the interview. My interviews were like a conversation rather than question and answer session.

Ely *et al.* (1991:60) warn that qualitative researchers should learn the skill and art of knowing when to speak and when not to during the interview. They refer to this as a “Staying Out” art of interview. As far as they are concerned, this is the most difficult skill to master, especially when the interviewer identifies with what the participant mentions. Ely *et al.* (1991:60) advise researchers to allow the participants to do most talking and the researcher to listen. However, the researcher may interrupt the participant if he or she strays away from the topic. To interrupt participants who were straying away from the topic was difficult. Some people do not easily stop when they start talking. My first participant was a non-stop speaker. He would go on for almost fifteen minutes saying completely different things that were not necessarily related to the question I asked him. It was a challenge to guide him back to the topic.

The interview session introduced me to some of the difficulties involved in interviews. As a researcher I knew what questions I had to ask, though I could not predict my participants’ answers.

Babbie (1975:269) warns that researchers should not influence the responses of the participants, but rather should always strive towards assuming a neutral role during the interview. He argues:

The interviewer's presence should not affect the respondents' perceptions of a question nor the answers given. The interviewer then should be a neutral medium through which questions and answers are exchanged...if the interviewer does anything to affect the responses obtained, then the bias interjected might be interpreted as a characteristic of the area (Babbie 1975:269).

The principal lesson learned was that, conducting interviews is an art and a skill worth learning. During the interview I had to suppress my own subjectivity and allow the participants to lead the course of the interview.

## **4.7 Observation**

Even though I used qualitative interviews as the primary source of data collection, I also relied on observation. First, my I observed the site in general. It was characterised by a variety of small businesses. People paced up and down the busy streets. Peak hours were in the morning when people go to work and in the afternoon when they return from their work places. Entrepreneurs were busy during the abovementioned times. As I familiarised myself with the surroundings, I observed how necessity entrepreneurs carried out their business activities daily. The site was characterised by continuous interaction and social networks between the entrepreneurs and their customers.

### **4.7.1 Field notes**

Field notes were crucial during research because they enabled me to capture things that a tape recorder could not capture. These things include the general observation of emotional

reactions displayed by the participant(s) during the course of the interview and other visual scenes or settings pertinent to the research project (Burgess 1984:78). I always carried my note book during interviews in order to note down important things that transpired during the course of the interview. The note book was of great use during data analysis as it served as a frame of reference.

#### **4.7.2 Interview guide**

Janesick (1998:30) advises that the researcher should include in his/her interview guide, basic descriptive questions, follow up questions, experience/example questions, simple clarification questions and structural/paradigmatic questions. The interview guide for this study consisted of the following themes developed from literature review and the interviews:

##### **(a) Background information**

This theme was concerned with the participants' background information such as their age, educational status, and family background. This theme served as an introduction to the interview. I asked participants to tell me about themselves. However when I asked them to tell me about themselves, some started relating their entrepreneurial experience without giving me enough information about their education and family background. It was in such instances that I probed them to give specific information that related for example, to their age, education and family background.

##### **(b) Employment history**

This theme engaged participants about their work experiences. The significance of this particular theme is that, participants could narrate their experiences about their past and current employment status. The main aim of this theme was to establish the reasons why participants ventured into entrepreneurship. Some participants explained that they ventured into business because they could not find job; while others pointed out that they wanted to be their own boss.

**(c) Entrepreneurial experience**

The third theme revolved around the participants' entrepreneurial experiences. Participants were asked to relate a story about their journey as business men. This theme aimed at establishing how participants started their businesses, what difficulties they encounter and how they cope and deal with those challenges. The open ended nature of all the questions asked, helped participants to provide as much information as possible about their experiences in this regard.

**(d) Social networks**

The fourth theme addressed the role played by social networks in entrepreneurial activity. The theme aimed at determining the extent to which entrepreneurs' relationship with other social actors facilitated their business endeavours. Entrepreneurship is a social activity that takes place in the social context. The study therefore deemed it important to explore how entrepreneurs utilised their links with other people to achieve their business goals. This is a key theme for this study.

**(e) Training needs**

The fifth theme dealt with training needs of the participants. The theme aimed to establish if the participants had any desire to receive entrepreneurial training. This theme also served as a yardstick to measure the participants' interests and desire to develop their entrepreneurial skills.

**(f) Future prospects**

This theme enquired about the participants' future prospects (see interview guide). It also assessed the participants' plans as entrepreneurs. Participants were asked general and open ended questions about their future. All the questions were posed in a way that facilitated extraction of information and the flow of the conversation.

## 4.8 Ethical considerations

The issue of ethics revolves around three stakeholders, i.e. the researcher, the participant(s) and the funding body. The researcher has to make sure that he or she upholds and observes the ethical code of conduct inherent to the research process. This includes seeking the participant(s) informed consent before they take part in the study. The participant(s)' privacy must be respected and the information gathered, treated with respect and confidentiality (McBurney 1994:374-375; Kumar 2005).

The purpose of the study was explained to the participants before their participation. Participants were also informed that their participation in the study is voluntary and thus could withdraw from the study at anytime they wished to. Those who participated in the study were handed a consent letter that they had to sign as evidence that they agreed to participate in the study. The letter drew the participants' attention to all ethical issues relating to confidentiality, their right to withdraw at anytime prior or during the interview, the storage and the utilization of the information they provided and other ethical considerations (see consent form). Participant were given an opportunity to read the letter, where after it was discussed with them and they were given an opportunity to ask questions. They were also informed about the fact that their real names will not be used in the report, instead, pseudonyms were used in the place of their names.

All the participants who took part in the study did so on their personal capacity. They first had to give a verbal consent before signing the consent form. To those who were not good at reading or understanding English, I explained the content of the consent form in their home language. Most of the participants spoke Sepedi, isiZulu and Setswana. This worked to my advantage because I have a good command of all the above languages.

A tape recorder was used in order to capture the whole interview accurately, and thereafter transcribed. The use of the tape recorder in this research was dependent upon the participants' informed consent. The purpose of using the tape recorder was explained to the participants. All were willing to have their voices recorded.

## 4.9 Process of conducting research

All the interviews were conducted during the course of the participants' entrepreneurial activity. Qualitative research is best carried out in the participants' social setting. This setting must be left as natural as it is. The argument is that people or events can be better understood when studied in their natural context (Ely *et al.* 1991:4). However, with regard to this study, this approach had its own disadvantages. Some places were very crowded and noisy. The other challenge emerged when interviewing busy participants, I constantly had to pause the tape recorder to allow them to attend to their customers. In certain instances, people came over because of the curiosity to know why I was talking to my participants with the tape recorder on. Being mindful of the possible influence they might have in the interview process, I always requested them to give us space. It was not possible to get the participants to a secluded place for interviews, for I could not inconvenience them any further. The fact that they agreed to let me talk to them in the midst of their busy business day, was sufficient. In certain interviews the noise was so high, that we had to shout in order to understand each other.

It was not easy conducting interviews with entrepreneurs during entrepreneurial activity. I could only conduct a maximum of three interviews per day. Some interviews took long because of the interruptions from the customers. There are three interviews that participants terminated shortly after they commenced because they had to attend to their customers. I managed to successfully reschedule with two of them. The other one was no longer willing to participate in the interview again.

Through the fieldwork experience, I developed skills in conducting interviews. One participant whose business operated in a restricted area turned the interview into a platform to express his frustrations. The municipal authorities prevent them from operating their businesses in certain areas. The participant complained that he was poverty stricken, and that he did not want to resort to crime. He questioned why the municipal authorities ordered him and other entrepreneurs to stop conducting business in certain

areas (alongside the main street into Soshanguve). The restricted area happened to be an area where many customers pass through when they go to the station or the taxi rank. The participant complained bitterly to me as if I could exert some kind of influence to municipal official. Although I allowed him to vent his frustration, I also had to direct him to more general themes and make it clear that I had no influence to change municipal bylaws.

#### **4.9.1 Language**

The issue of language has significant influence in the success of the interview. It is recommended that interviews be conducted in the language spoken by participants (Janesick: 1998:69). In this way participants can freely and confidently express themselves clearly on whatever issue they are engaged on. My ability to speak Sepedi, Setswana and isiZulu served as a huge advantage in this research. The interviews were conducted in the participants' home languages. Speaking the vernacular of participants also facilitated access to them. My command of the abovementioned languages helped me gain access and blend in with the participants. Two other spoken languages in Soshanguve are Shangaan and Venda. I can hardly understand these languages. Fortunately there were only two participants whose home language was Shangaan. Both participants had a good command of Sepedi and I therefore conducted the interviews in Sepedi.

#### **4.9.2 Time dimension**

Burgess (1984:59) observes that activities that take place in a particular social context are largely determined by time. Entrepreneurs were willing to be interviewed between 11:00 and 15:00. The early hours, 6:00 to 9:00 were extremely busy and noisy as people rush to their respective work places. At these times, entrepreneurs were not available for interviews. The same occurred after 15:00 when workers started returning home-particularly between 16:00 and 19:00. I used these restricted times to observe how participants conducted their entrepreneurial activities.

#### **4.10 Data analysis**

Data analysis in qualitative research is perhaps the most important stage in the research project life cycle. Data analysis is a stage in which the researcher reflects carefully and critically on the data collected during the research process (Marshall & Rossman 2006:156-157). This process involves interpreting meaningful patterns of themes, comparing, contrasting, categorising and coding the data (Patton 2002:465). In data analysis the researcher usually pays attention to recurring themes or statements as they relate to the questions addressed by the study. This study sought answers to the following research questions:

- To what extent do social networks facilitate the success of entrepreneurs in the informal economic sphere?
- What difficulties do entrepreneurs experience in the informal economic sphere?
- How do entrepreneurs deal with the difficulties they experience in the informal economic sphere?

The participants' experiences in this regard were analysed, compared, contrasted and coded in accordance to common themes. In carrying out this task, I did the following: First, I read through all interview transcripts, underlined and made notes on section or quotes that were relevant to the study. Second, I then classified or categorised the interview transcripts thematically. The interview transcripts that had same or related themes were grouped together and assigned a name. These themes were derived at by categorising the participants' experiences according to their similarity. Third, I then examined how each theme and particular excerpts from the interview transcripts answered my research questions. Excerpts that best describe or revealed the participants' entrepreneurial experiences were incorporated into the study.

Charmaz (1983:114) contends that coding is crucial for carrying out analysis. According to her, researchers use codes to put information together and classify participants' statements or observations. Charmaz explains:

“At first the data may appear to be a mass of confusing, unrelated accounts. But by studying and coding, the researcher begins to create order” (Charmaz 1983:114).

The above observation holds to this study. At the beginning I could not figure how I was going to make sense of all the information on my table, but the coding process was of great help.

#### **4.11 Conclusion**

This chapter highlighted the method that I used to gather and analyse my data. Qualitative research methodology had been of great use in this study because it helped me develop a comprehensive understanding of necessity entrepreneurship. The study used qualitative interviews as the main method of gathering data. This ensured adequate interaction with the participants.

## Chapter 5

### Experiences of necessity entrepreneurs

#### 5.1 Introduction: background of participants

This chapter pays attention to the experiences of necessity entrepreneurs in as far as they relate to their entrepreneurial activity. Of importance, is the role of social networks in necessity entrepreneurship. The table below shows the profile of the participants.

**Table 3: Profile of participants**

Pseudonym	Age	Educational status	Business type	Number of years in the business	People employed	No of interviews
Kgau	33	Grade 7	Clothes	5	0	2
Kgomo	31	Grade 8	A variety of items: bags, cell-phone chargers	6	0	1
Rocksa	29	Grade 6	Sweets, cigarettes, bags and jewellery	8	0	1
Dick	23	No formal education	Cigarettes and sweets	6	0	1
Kgotso	30	Grade 10	Tuck-shop	4	0	1
Nkwe	35	Grade 10	Salon	10	3	1
Tsongo	29	Grade 5	Locksmith	6	0	1
Joe	32	Grade 9	Electrical appliances	7	0	1
Keke	28	Grade 8	Furniture	8	2	2
Mike	25	Grade 6	Cell phone repairer	2	1	1
Soke	24	Grade 8	Barber	2	0	1
Ike	19	Grade 5	Necklaces and watches	3	0	1
Sipho	20	Grade 7	Cutlery and catering services	1	0	1
Luzuko	34	Grade 5	Wendy House Erector	5	4	1
Thomas	21	Grade 8	Car wash	2	0	1

The participants had limited education (see table 3). The highest educational attainment among the sampled participants was grade 10. Most participants could not further their education due to a lack of resources in their families. Poverty prevented them from completing schooling, which in turn limited their employment opportunities. Tsongo explained:

“... *Eh, joe*, I could not be able to go to school because of poverty. *Mmm*, I stay in Soshanguve, block JJ. I grew up in Winterveld...When my father passed away, we stopped going to school due to a lack of money. I had to start this business [translated — see endnote<sup>1</sup>](Tsongo: goldsmith).

A general observation of business revealed that service related ventures had more customers than retail ventures. Amongst service-based ventures, the salon, cell phone repairer and the Wendy house erector were the busiest. These businesses also created employment opportunities. The salon owner employed three people, the cell phone repairer employed one person and the Wendy house erector employed four people. Amongst retail ventures, the furniture business created two employment opportunities.

Ventures such as salon, cell phone repair, furniture and Wendy house businesses enable employment because of their potential to generate a high turnover. For example, Wendy houses and furniture are sold at a higher price with high profit margins. The profit generated from selling these items is significant if the business progresses. Therefore owners can afford employing other people. It also important to note that, the participants with such business ventures tend to employ their family members or close relatives. As we will see later, Keke, the furniture business owner, had two employees, one of whom is his wife; Mike owns a cell phone repair business, he has one employee who happened to be his younger brother. Luzuko, a Wendy house business owner has employed four people two of them are his cousins while the other two are his close friends while Nkwe, the salon

owner, had one of his sisters working for him. This shows that necessity entrepreneurship is concerned with improving family social conditions.

The information above suggests that necessity entrepreneurship has limited potential to create jobs. Brand *et al.* (2007:191) contends that that necessity entrepreneurship only creates employment for the owner of the venture. However, it seems that those ventures which provide services with a high turnover, or which have the potential for higher margins of profit have some potential to create jobs usually for relatives and family members.

## 5.2 Family obligations

Family obligations constrained some participants' ventures. Demands from family members for assistance reduce the disposable income of entrepreneurs. These demands posed a budgetary challenge by reducing capital available to the business venture. Tsongo's story illustrates such challenges. He contends:

We are a family of 11 under the same roof and I am the oldest. As the oldest son in my family, I am compelled to provide for them. I have two brothers, both of whom are not working. I have three sisters, one has two kids, the other one has one kid, they are not married and not working. All these people are my responsibility, including my own two kids. The profit that I generate from this business gets spent on the family subsistence needs. Each time I have to get new stock, I first borrow some money from my friends. *Mmm*, it is difficult to survive under the circumstances that my family and I find ourselves. However, I am grateful that I am able to put something on the table for them at the end of each day" [translated — see endnote<sup>2</sup>] (Tsongo: locksmith).

Tsongo's account introduces necessity entrepreneurship as an activity characterised by survival challenges. Circumstances within his family deprived him an opportunity to acquire education and compelled him to generate income. From his story, it appears that his family circumstances serve as a constraint on his business because he is obliged to provide for them. Rocksa said the following:

“...Eh, you see my *broer*, I was born in a big family. My father is a royal descendent and has seven wives. From my mother's side, we are six, but I also support my other half-brothers and sisters with the money I generate from this business. As you can see, I sell sweets, cigarettes and chips. I do not generate enough profit. I make around R150 to R200 per week. From that amount, I must put some money aside for my stock. It is really difficult my brother, because we live from hand to mouth. It would have been better if I was responsible for my wife and kids only, but because I stay in my father's house I am forced to support everyone. And I cannot just take my wife and kids and leave because my parents, sisters and brothers will starve to death” [translated — see endnote<sup>3</sup>] (Rocksa: sweets, cigarettes and chips).

Financial pressures are a common challenge for the entrepreneurs. This challenge is compounded by family social demands that majority of the entrepreneurs were responsible for.

Kgomo has been in business for six years, but to date, still does not have a bank account. He lives from hand to mouth. He laments that he is unable to save money. He lamented:

“Jaa, I have three children, all of them are in school. I don't have a house of my own because I am the lastborn in my family, so when my father past away, I inherited his house. We are nine at home, it is my wife and three children, my mother and my sister and her two children. Though I am not a sole bread winner at home because my sister helps there and there, but I am

the one who contributes most. My sister works as a domestic worker and earns very little. I spend all my money on my sister and my children's school clothes, fees and pocket money. *Hei, joe*, you won't believe me. You know, I have been in this business for 6 years, but even now, I don't have a bank account. I just don't have any money to save because of my family responsibility" [translated — see endnote<sup>4</sup>] (Kgomo: sweets, cigarettes, bags and jewellery).

Some necessity entrepreneurs play a pivotal role in their families (Ajam *et al.* 2009:63). Kgomo uses the income he generates to take care of his family. This prevents him from saving. Most of the participants in this study cited poverty and family responsibilities as constraining factors that impede the growth and expansion of their small businesses. Poverty keeps some necessity entrepreneurs in a perpetual battle to survive.

### **5.3 Necessity entrepreneurship and poverty**

The household survey conducted by Statistics South Africa in 2005 revealed that majority of South African households are still trapped in abject poverty. This survey is conducted once in every five years to determine the commodity basket used to calculate inflation. The survey results showed that bigger families were more affected by poverty than smaller families (Armstrong *et al.* 2008:6). According to Meth (2009), estimates published by the Presidency, suggests that the poverty headcount increased by 3.2 million between 1995 and 2008.

Despite self-employment initiative, majority of the participants complained about the effects of poverty. One participant related his experiences thus:

“I own a tuck-shop but, my family still lives in poverty. It is difficult to watch my children starve while I am keeping a loaf of bread and fish on the shelves waiting for the customers to come and buy. But if I take it and give it to the

children to eat, I run the risk of losing my business and once I lose it, there would not be any source of income. Sometimes my children go to sleep with empty stomachs. We sacrifice so that the business may grow. But instead of the business growing, it is the more it progresses on the very slow pace. I run my business in poverty, but I think is better than not doing anything at all. I think, if I was not having this business, my family would have starved now. I thank God for the plate of food that I am able to put on the table some days.”  
[translated — see endnote<sup>5</sup>] (Kgotso: tuck-shop owner)

In light of the above excerpt, it is clear some necessity entrepreneurs run their businesses under difficult social conditions. As is suggested in the excerpt above, these circumstances may even compel them to use their stock to meet family needs.

#### **5.4 Educational attainment**

According to 2001 GEM report, “due to apartheid policy, one in four black adults had no access to formal schooling at all and only six percent of all South Africans had a tertiary qualification.” The report further highlighted that apartheid education system had destructive consequences on people’s self-confidence which ultimately affected their creative and innovative faculties, critical in the business environment (Herrington *et al.* 2010:45).

Compounding the plight of necessity entrepreneurs is their limited educational attainment occasioned by social conditions. As can be seen on Table 5, the participants had low level of education. A lack of education impacts negatively on the day-to-day running of the business. Some participants openly acknowledged how their limited educational background affected their business development.

Kgomo explained:

“Yes, I need training, because of my lack of education; I am unable to manage my business well. When I have made profit in my business, I only see increase, but I am unable to determine how much profit I made compared to other days. I just use common sense that today; it seems my business did well, Mmm, today it did not go well ...Sometimes, I mistakenly use money that is meant to buy stock.” [translated — see endnote<sup>6</sup>] (Kgomo: bags, cell phone chargers)

Most necessity entrepreneurs struggle to maintain their businesses and eventually fail because of a lack of basic numeracy, stock management, writing and reading skills. For effective business management and development, entrepreneurs need the abovementioned literacy skills. Most participants in the study acknowledged the disadvantage caused by their lack of education.

This study corroborates Duggins’ (2005:120) findings. He also observed that necessity entrepreneurs generally have low education levels. Less than 50% of his sample had at least grade ten as the highest educational attainment. In this study a similar proportion of participants had grade eight as the highest education. He argued that, the general lack of adequate education and training amongst necessity entrepreneurs influences their business administration skills.

Similarly, a study conducted in Alexandra, South Africa revealed that the standard of education among necessity entrepreneurs in Alexandra was very low. As a result, this impacted negatively on the growth potential of their ventures. The study revealed that some entrepreneurs could not distinguish between capital and profit (Agupusi 2007:13). Herrington *et al.* (2010:43,45) therefore argue that individuals who possess matric or tertiary qualifications stand a slightly better chance to own and manage business ventures beyond pre-entrepreneur stage compared to those who have not attained that standard of

education. They however note that the quality of South African education system is questionable and does not prepare learners for entrepreneurial activity.

When youth realise that they do not stand a chance of finding formal employment in the labour market, they resort to business. However, a lack of education still puts them at disadvantage compared to those who are better educated. Kgomo's account in the excerpt above reveals how a lack of numeracy skills can be a drawback.

Due to a lack of skill in business administration, necessity entrepreneurs tend to run their ventures haphazardly. Some give customers credit without keeping records; relying on their memories to track debtors down. It transpired during the course of the interviews that regular customers would just snatch a few items (particularly cigarettes and sweets) and say: "I will see you tomorrow". When this happened whilst I was busy interviewing Dick. I asked him why he allowed it. He explained:

"I let my loyal customers just take because they pay me. They don't give me any problem when they have to pay me. But because I usually do not write their names down, sometimes I forget who they are and how many owes me"  
[translated—see endnote<sup>7</sup>] (Dick: sweets and cigarettes).

Dick's case poses a serious challenge; he did not go school and thus cannot read nor write. Even if he wished to keep records of his debtors, it would be difficult to do so on his own, unless he hires somebody to do that for him.

Entrepreneurial training would help Dick to understand the importance of record keeping for effective business administration (Agupusi 2007:13). But, Dick first needs to acquire basic literacy skills before he could benefit from entrepreneurial training. It transpired that some entrepreneurs granted their customers credit in order to establish a relationship of trust with them. This business practice potentially gave them some competitive advantage

over other entrepreneurs who did not offer credit to customers. By combining the extension of credit with proper record keeping, such entrepreneurs may strengthen their business.

Kgomo and Dick's account indicates how a lack of education further complicates necessity entrepreneurship. Uneducated entrepreneurs run their businesses in an unorganised manner principally because they do not understand all principles of business practice, this constraints their business development. In each and every form of business there must be a form of book-keeping especially where customers are sometimes offered a credit. Kgomo and Dick offer their customers credit, but they do not keep any record. This kind of business management style can lead to business failure because as per their acknowledgment, they sometimes tend to forget who owes them.

Research shows that educated youth stand a better chance of establishing successful ventures. The argument is that, educated youth have self confidence, understand financial and business issues, they can research, read and augment their business management skills whenever they want. On the other hand, limited education hinders entrepreneurship (CASE 2005: 30).

## **5.5 Employment history**

In order to gain full understanding of the participants' socio-economic background and the circumstances that led them into entrepreneurship, I asked them about their employment background. Some participants reported that they never had any formal employment because of limited employment opportunities (see table 1). Some were employed previously, but got retrenched and found it difficult to get back to formal employment. Others could not get any employment due to their limited educational qualifications and work experience. Thomas remarked as follows:

“It was poverty that pushed me to start this business. Because if you don't work and there is no one working in the family, life becomes difficult. Staying

at home without doing anything does not help. It also does not help to go search for employment when you do not have work experience or qualifications. Employers usually ask what kind of job do you know? So if you do not have any work experience, you are likely to take long before you get any employment. But when you are in business, it is better, you get something” [translated — see endnote<sup>8</sup>] (Thomas: car wash owner).

A lack of work experience and qualifications sometimes serves as a barrier discouraging people from even thinking of going to search for work. As observed by some scholars, employers look for specific skills, experience and a particular level of qualification from prospective employees. If prospective employees lack those skills, experience and qualifications, they are usually not considered for employment (Loots 1998 cited in Blaauw & Pretorius 2007:68; Burger *et al.* 2004).

Kgotso, contrary to Thomas, worked before at the construction company until the company was liquidated because of managerial problems. After that he searched for employment, but was unsuccessful. He subsequently decided to use some of his retrenchment package to start a tuck-shop. Kgotso explained the advantages and disadvantages of being one’s own boss as opposed to being employed. He explained;

“I worked before I started this business. Unfortunately, mmm, you see, we were retrenched because our employers mismanaged the company finances as a result the company was liquidated, ehh, each of us got their monies. It therefore meant that ehh, I had to look for employment, but it was not easy. I searched and searched but could not get any job. I decided to take the money I got when I left work to start this tuck-shop. The business is going slow but it is better, there is some income....ehh, there is big difference between when I was working for someone and now. The only thing I miss about working is that I used to get fixed amount of money at the end of the month and I could plan my budget and buy whatever I want to buy on credit or cash. But in business you

can't pre budget. Our business is very unstable, sometimes you make too little money and that money you have to buy this and that for the family, is really not a reliable income. But the good thing about owning a business is that, you become your own boss, you work when you want to work. However if I were to find job now, I would find someone to manage this business for me while I go to work" [translated—see endnote<sup>9</sup>] (Kgotso: tuck-shop owner).

Most participants shared in the views of Kgotso, there was a general feeling of uncertainty in pursuing entrepreneurship as a career. Even though Kgotso has developed interest in business over the time, he nevertheless would still prefer to get formal employment and get somebody to manage his business. Keeping the business, to some extent, also reflects the precariousness of employment for unskilled or semi-skilled workers in the country. Kgotso's preference to keep both the business and work, should he get employed is primarily informed by his experiences. The retrenchment taught him about the uncertainty associated with unskilled employment. Hence he prefers a strategy which leaves him with options. He indicated that business is precarious, sometimes he does well while other times he does poorly. He argued that it is better to have business as a secondary source of income rather than a primary source of income.

Brand *et al.* (2007:191) argues that an entrepreneur's motive for venturing into business must not only revolve around surviving certain socioeconomic hardships, but must have passion for business. They argue that those who start businesses for mere survival, usually have ventures that are short lived. They abandon their businesses when they get jobs. Brand *et al.* refer to this type of entrepreneurs as, survivalists; owners start ventures because they could not get employment and once they get employment, they close them down. However, Kgotso suggests otherwise. In fact, contrary to the above argument, most participants did not intend to abandon their businesses if they found employment. They stated that they would rather hire someone to run their businesses while they work, Tsongo explained:

“I want a better job, but I will not abandon my business because I want it to develop it and make it grow. It is difficult to only rely on the income generated by the business; it has to be supplemented by another income. I would rather prefer to have both my business and work” [translated — see endnote<sup>10</sup>] (Tsongo: locksmith).

Employment ensures fixed income for people, but that does not guarantee security, especially in the category of unskilled and semi-skilled workers. Therefore employment can be as much precarious as business. Kgotso had first hand experience in this regard when he got retrenched from his work. For him, having both formal employment and a business would instil a sense of security and certainty.

## 5.6 Social networks

One of the objectives of this study was to establish the role of social networks in necessity entrepreneurship. During the interviews, it transpired that necessity entrepreneurs rely more on one another for support and assistance. This happened in a particular way. Some entrepreneurs operate in groups; they help or support one another according to groups they are affiliated to. Such groups serve as support structures. Joe explained how it works:

“You know, here my *broer*, we have people that we work together with. I have a group of guys with whom we help one another. For example, if a customer comes here wanting to buy something that has run out of my stock; I always go to my friends to loan it. I give it back to them once I have stock. But you don’t just go to anyone selling here to ask for help, you must have your own people that you work with. Not only do we help one another in that way, but we also borrow each other money when days are dark. That is how we survive my *broer*, it is difficult to operate as solitude here; we need each other’s help. Furthermore, if the customer needs something I do not sell, but my friend does, I take him by hand to my friend. Running a business here my *broer* requires a strategy and the skill to survive and make money. If you can’t devise the means to outcompete

other entrepreneurs, your business will collapse” [translated—see endnote<sup>11</sup>]  
(Joe: electrical appliances).

Joe painted a picture of how necessity entrepreneurs survive and negotiate their way up the entrepreneurial ladder. His emphasis was on the co-operation he shares with his fellow necessity entrepreneurs; without which his business would be difficult to manage. Joe and his partners orchestrate their business activity in a complimentary manner for purposes of avoiding direct competition with one another. He explained that they try not to sell same items.

In the context of poverty and entrepreneurial challenges, Joe and his fellow entrepreneurs deemed it necessary to devise a survival strategy. The reciprocal support structure that they decided to establish among themselves ameliorates hardship that most necessity entrepreneurs encounter.

As Joe alluded, entrepreneurial activity cannot be carried out in isolation, it takes place in the social context characterised by social networks. The support and the benefits that Joe receives from his group ranged from referrals and financial help during difficult times. Joe’s account illustrates that social network in necessity entrepreneurship has the potential to serve as a social safety for necessity entrepreneurs.

Poverty has also forced Joe to solicit support from his family and the community as a whole. For example, he pointed out that his relatives and close friends have pledged their support by buying most of their electrical appliances from his venture. In that way, his business thrives because of the network of social relations he has established for himself.

Considering socioeconomic hardship associated with necessity entrepreneurship, there is a need to employ Joe’s business strategy in order to succeed. It is important for necessity

entrepreneurs to have good social relations or networks with one another so that they can improve their co-operation and reduce competition.

A weak social network can be an impediment to business. Rocksa faced fierce competition from fellow entrepreneurs. Many entrepreneurs sold sweets and cigarettes as secondary items in their product range. Rocksa only sold sweets, cigarettes and chips. He considered the competition unfair because some entrepreneurs brought their prices extremely low to attract customers and increase their market share. Rocksa was in favour of a body to regulate prices on similar items in order to reduce the competition.

Tsongo and Rocksa did not belong to any social grouping. Part of the reason for Rocksa's complaint about fellow entrepreneurs was linked to his inability to establish a relationship with them from which he could benefit as well. Weak social network complicated both Tsonggo and Rocksa's entrepreneurial activity because their isolation and a lack of co-operation with others impeded their competitiveness.

Sipho, on the contrary, relates a success story about the importance of social networks. He referred to a business club for which he is a member. The co-operation of the business club members facilitate the smooth operation of his business. He explained:

“We have a club here, it is nine of us, we all have businesses here. After every two weeks, two of us go to buy stock. We incur both transport and petrol costs alternately. When it's my turn this week, I am going to wait for almost four months before it is my turn again to pay for transport and petrol costs. In that way, it is better to run a business. I think it was going to be difficult for me if I was not part of this club. The same applies, when I first ventured into business, I did not know what to sell or where to get cheap merchandise, but fortunately my other friend was already having a business here. He encouraged me to join this club, so members of the club already knew where to buy cheap

merchandise and which items were going fast in the business...” [translated — see endnote<sup>12</sup>] (Sipho: cutlery and catering services).

Sipho and his fellow entrepreneurs’ business club serves as a support structure for them. Entrepreneurs like Sipho are able to save on transportation cost due to the arrangement that have been made in the club. As mentioned in the excerpt, if Sipho was not part of the business club, he would have to incur transportation costs more often. However, being part of the club, he is able to wait for four months before his turn of paying for transportation costs comes. After each and every two weeks, he buys his stock without incurring any transport costs. This arrangement facilitates Sipho’s business development and makes it cost effective to manage. This confirms Holt’s (2008:53) argument that entrepreneurship is a social endeavour that requires collaborative effort. He emphasises that in order to understand entrepreneurship one needs to understand the manner in which entrepreneurs negotiate the collaborative nature of being in business. Similarly, Shane and Cable (2002:377) point out that social network serves as an important mechanism with which information can be disseminated among the entrepreneurs. In the excerpt, Sipho acknowledges that members of the club who were already in the business when he started referred him to places where he could buy his merchandise at the low-cost.

Sipho is not only a member of the club, but he also holds membership of another social group called stokvel. Members of this group mainly support each other financially. Sipho explained how it operates:

I and my other three friends, have established a stokvel, we pay each other some money, which is R100 each at the end of every two weeks. We are four in this particular one, that means when it is my turn I receive three hundred rand from them. The money helps us a lot in our business. But sometimes I face a challenge in the instances when my business did not do well, and I have to pay out my contribution” [translated — see endnote<sup>13</sup>] (Sipho: cutlery and catering services).

Necessity entrepreneurs need each other's support to succeed on their entrepreneurial activity. The account of Siphso clearly highlights the benefits of having social networks when running a business. There are some instances especially when he has debt, that he finds it difficult to honour his contributions to the stokvel. However, comparatively, Siphso's business venture is more successful than that one of Tsongo, Rocksas and Kgomo's who had weaker social networks compared to Siphso.

Not only do necessity entrepreneurs need good social ties with one another, but also with their customers. A cultivation of a good relationship with one's customers serve as an important factor that influences business success. Social networks help entrepreneurs market their businesses to different customers. Podolny (1993: 829-872) observes that social networks can be beneficial to the development and growth of ventures. Some participants reported that their customers market their businesses for them via word of mouth. Keke explained how his good customer relations skills benefited his business growth.

“My relationship with my customers is good, I try to know who my customers are and establish a solid relationship with them. As an entrepreneur I have realised I must make my customers happy so that they may continue buying from me. My business requires that I must have good relations with the customers, I rely on my customers to market and advertise my goods. I have already had a number of customers coming over to buy some furniture here after they have been referred to me by my other customers” [translated — see endnote<sup>14</sup>] (Keke: Furniture).

Luzuko also emphasised the importance of referrals by satisfied customers:

“...My customers market my business. If I sell one Wendy house to a household in Soshanguve block GG for example, their neighbours will also develop interest and they will bring them to me. In this way I get many customers referred to me by my customers. I make sure that I treat my customers well so that they may speak well of me to other prospective customers. Even though I have some fliers for marketing my business, but most of the advertising is done by customers” [translated — see endnote<sup>15</sup>] (Luzuko: Wendy house builder).

Keke and Luzuko’s account paints a picture of how important people are in business. Keke and Luzuko’s customers serve as a source of social capital to their businesses. Not only that, but they also assume a role of advertising the business. The two abovementioned entrepreneurs had similar method of keeping their customers. Keke mentioned that he makes sure that he sells quality furniture to his customers. He explained that some furniture is made of wood of inferior quality and some of his competitors prefer to sell that because it is cheap, but he has decided to distinguish himself from them by selling quality furniture. He warned that if one compromises quality, the long term consequences will be loss of customers. Keke buys and sells his furniture, he does not manufacture.

Luzoko by contrast, buys wood and erects Wendy houses himself. He jokingly stated that some of his competitors cut the corners of the Wendy houses, meaning, they do not invest in producing good quality Wendy houses. He stated that customers prefer to buy from him because he sells quality Wendy houses. He lets his customers buy on credit and he gives them six months to pay. He explained that even though his main purpose in the business is to make money or profit, he does not make it seem like that to his customers and always tries to help them whenever possible.

Soke also echoed similar sentiments, he explained:

“More customers keep coming to my barber shop because they see how well I cut others’ hair. So the interested customer always get information from those who have been here. I don’t go out to street and call customers, they just come” [translated — see endnote<sup>16</sup>] (Soke: barber).

The example provided suggests that good social networks are beneficial to necessity entrepreneurs. Joe and Siphon have highlighted how their social ties with other fellow entrepreneurs help them share a relationship of mutual assistance and interdependence in business. Luzuko and Soke emphasised the importance of having good social ties with customers. The excerpts above they highlighted how their social ties with customers helped them market and advertise their business ventures to different customer base. There is a complex mutual relationship among entrepreneurs themselves and between entrepreneurs and their customers that facilitate entrepreneurial activity. All these parties are important in the success of any business venture.

## 5.7 Customer care

Participants also shared some of the strategies they use to keep customers happy and loyal. Kgau shared the following information:

“The most obvious role that customers play is that they bring money, the other thing is that if your customers are happy with your business, it is likely to grow because people’s perceptions in business matter a lot. If people do not talk positive things about your business to other people, that reflects bad on your business and that can cost you money.... I mean your business may collapse. Look my *broer*, business is made possible by people, therefore people are a source of our income as business owners. If business owners do not have a healthy relationship with their source of income, what would that mean? It means his business will fail. That is why people say, a customer is always right, because if you argue with the customer, next time he or she won’t come to buy from you, but will buy from your competitor... My *broer*,

look around, (showing me other entrepreneurs) do you see all these entrepreneurs? We are all competing over the same resource—that is our customers, if I lose my customers, I lose money” [translated — see endnote<sup>17</sup>](Kgau: clothing business).

Some entrepreneurs are concerned about keeping their customers happy in order to cultivate a continued relationship with them. In the excerpt above, Kgau emphasised a good relationship with his customer. As we will see later, his competitive advantage is that, like clothing stores, he sells clothes on credit but he does not put stringent requirements such as demanding a proof of residence, income and identity documents before the credit is granted as is the case with big stores. Kgau regarded his customers as the source of income and therefore a valued resource in his business. Kgau sounded very knowledgeable about business. He explained in greater details why entrepreneurs should always cultivate a good relationship with their customers.

When customers become a valued resource to the entrepreneur, Belliveau *et al.* (1996:33) contends that they constitute a source of social capital for the business. They point out that social capital is embedded in social relations; and it constitutes a resource that cannot be detached from the broader social context. Baron and Markman (2000:107) define social capital as the actual and potential resources that people derive from knowing others, being part of the social network or having a good reputation with others (see chapter 2). Kgau therefore addressed important aspects relating to business. Customers play a pivotal role in the success of any business activity and as Kgau highlighted, they are worth keeping. The main thing that each and every entrepreneur strives to achieve as Kgau alludes is to maintain one’s customer base and continuously have them spend their money at one’s business. This does not happen automatically, it requires creativity and effort from entrepreneurs.

In paragraph 5.4 an observation was made among entrepreneurs who sold sweets and cigarettes (Kgomo and Dick) that customers would just pick sweets or cigarettes and say

“I will see you”. Dick explained that he lets his loyal customers take items on credit so that they can pay later. These are some of the strategies that necessity entrepreneurs use to cultivate a continued relationship of trust and interdependence with their customers.

The other strategy that necessity entrepreneurs use to keep customers, relates to the flexible nature of their business. Siphso explained:

“In most cases shops sell goods in bulk, their method of selling is very rigid and less flexible as compared to ours. The things we sell are ready and handy. Our customers make less effort to buy things they want. We buy in bulks from the shops and we sell separate items. We buy most of the goods from Johannesburg. We avoid selling things that the surrounding shops sell [translated—see endnote<sup>18</sup>]” (Siphso: cutlery and catering services).

I had an opportunity to observe how Siphso approached his customers. Customers were at liberty to buy single spoons and forks if they wished. For instance if the customer had forgotten a spoon or a fork at home and wanted one urgently, they could buy it separately. Siphso contended that the flexible nature of his business attracts more customers. He pointed out that, he makes more money out of selling separate items than in sets and at the same time, customers also appreciate the convenience associated with this type of business arrangement. Siphso also added that though the main aim of going to business is making money, but one must always conceal such motive from one’s customers. He said that an entrepreneur must always appear to be at the customers’ service. He added that is why he sometimes sells single spoons and forks to customers who want them.

Kgau (clothing business) also shared his business strategy. His strategy for keeping his customers and maintaining a continued relationship with them was by providing credit for purchases. He described it in the following way:

“I keep my customers by granting them instalment payment arrangement. People know that they can come to me and get new clothes for the party and pay up later. My business is different from clothing stores because they do not have such flexibility in payment arrangements. For instance in shops, when you lay-by clothes, you do not take them with you, but with me, when you lay-by, you take the clothes with you. If I sell something for R150, you can give me R50 and give me R100 later. This is how I keep my customers” [translated—see endnote<sup>19</sup>] (Kgau: clothing business).

Looking at the above excerpt, the only thing that actually gives Kgau a competitive advantage over established big clothing stores, as mentioned earlier, is that, unlike at clothing stores, people do not have to be credit-worthy before they could qualify for credit, neither are they required to produce any form of documentation.

Nkwe (salon owner) also used similar strategy in order to keep his customers. His business was one of the successful ones and that made him very busy. I struggled to set an appropriate interview time with him. He pointed out that he has few customers whom he usually grant credit. The interview with Nkwe was cut short because he had to coordinate the work of his employees and at the same time attend to his many customers.

As seen in the above excerpts, the flexibility of some necessity entrepreneurs enables, attracts and maintains a good relationship with their customers. This relationship ultimately constitutes the foundation of social capital for those entrepreneurs. For example Kgau and other entrepreneurs in this study, use flexible business arrangements as a way of distinguishing their businesses from formal businesses. However, this type of business arrangement has its own disadvantages.

### **5.7.1 Risks to entrepreneurs**

Though necessity entrepreneurs try to build a relationship of trust and mutual help with their customers by granting them credit and concluding flexible deals with them, some customers tend to take advantage. Kgotso explained:

“There is risk involved in granting some customers credit because others do not come back to settle their debts. Therefore, in the instances where customers do not pay me, I struggle to raise money for buying another stock. There is definitely a risk, but it is a risk worth taking because if I don’t give them any credit they may go next-door” [translated — see endnote<sup>20</sup>] (Kgotso: tuck-shop owner).

Although granting customers goods on credit seems to be a good gesture from the entrepreneurs, some customers abuse this by dodging payments. This dishonesty may, as Kgotso explained, have detrimental effects on the business. However, as highlighted above, entrepreneurs run a risk of losing customers to their competitors if they do not offer credit.

Over and above the problem posed by customers who sometimes avoid settling their dues, some necessity entrepreneurs do not have a bookkeeping system. This means that some of them do not keep any record of the people who owe them. The disadvantage is that, it is easy to forget those who owe.

### **5.8 The role of government support agencies**

The government has established agencies to facilitate youth entrepreneurial endeavours. National Youth Development Agency, established after the disbandment of Umsobomvu Youth Fund and the National Youth Commission is mandated to provide assistance in this regard. One of the objectives of this study was to understand necessity entrepreneurs’

perception about government support. Part of the aim was to determine the extent to which necessity entrepreneurs know about such support.

Only one of the fifteen participants knew about government support. One participant shed more light about his experiences with Umsobomvu Youth Fund. He explained that he approached them for support, but never got any help. He explained:

“They told me that if I want to establish my own business, I must make sure that the business I tend to establish does not exist where I intend to start it. And realised that it is not possible to start a business at a particular place and not get similar businesses already established there. I tried to convince them that, the business I am trying to establish has the potential of making money, and that I will be able to pay them back, but they were not willing to take my story. They said I need to have a particular amount of money in my bank account before I can qualify for a loan. For instance, if you want to buy a franchise of one million, you need to have ten per cent of one million in your bank account, so I did not have that money. So this business of mine, I started it from the start—saving each and every cent I generated. Currently, I have two containers (shops), I am selling beds, cupboards and cabinets” [translated — see endnote<sup>21</sup>] (Keke: furniture business).

The fact that majority of the participants did not know about government support agencies established for the purposes of promoting and financing SMMEs; suggests that much still needs to be done in advertising such agencies to young people across the country. Naude (2004:10) observed that young people struggle to gain access to such agencies because of poor marketing of such services particularly to young people who reside far from where such services are offered. Compounding the problem of accessibility, as discussed in chapter three, is the poor organisation and maladministration within certain government youth support agencies. An argument was advanced in chapter three in which government was criticised for not having been successful in establishing an effective and efficient

youth agency that could be responsive to the needs and business aspirations of the South African youth (Azapo 2008:2-6; *The Times* 27/08/2010; Mail & Guardian online 16/06/2009).

Keke elaborated on his experiences with Umsobomvu Youth Fund:

“A friend of mine had told me about the Fund, he himself had heard from his friend about Umsobomvu. I was very disappointed when they could not help me. From then on, I decided to be on my own and forget about the government help. I think the government has got its own people that they help. If one does not have political connections, it is not easy to get such help from the government , I was unfortunately not one of them. I had to stand up and do things myself without relying on anyone” [translated — see endnote<sup>22</sup>] (Keke: furniture business).

Umsobomvu Youth Fund has always left much to be desired. It was not helpful to majority of youth hence it was dismantled. Keke did not have any positive experience with the Fund.

## **5.9 Access to finance**

Access to financial aid remains a huge challenge for necessity entrepreneurs. As was highlighted, the nature of necessity entrepreneurship makes it particularly difficult for them to receive financial aid from some financial institutions. This became clear during the interviews. None of the participant received any kind of financial or administrative support from a financial institution or government agency. The participants financed their businesses through personal savings and support from family members.

What generally transpired from the interviews is that most participants did not have information about institutions that could fund their businesses. This lack of information

prevented some from looking for funding. However, Keke had experience about the support that government provided through Umsobomvu. Not only did Keke seek financial help from Umsobomvu, but he also sought loan from the bank to start his furniture business. He related his experiences:

“I also tried to borrow some money from the bank, but I was not successful. They asked for the business plan, I gave them, they then asked how would I pay back my debt in case my business collapses. They asked if I have a house or any fixed property that I can use as surety in the unfortunate event that I am unable to pay. The other thing that the bank needed was a landline phone. They said I must have a Telkom landline phone; they do not want a cell phone only. I realised that it is not easy to get a loan as a starting entrepreneur.” [translated — see endnote<sup>23</sup>] (Keke: furniture business).

As can be seen in the above excerpt, necessity entrepreneurs find it difficult to get loans from financial institutions. A number of factors disadvantage necessity entrepreneurs. These factors include collateral that most financial institutions require from entrepreneurs for security purposes in case their businesses do not succeed. Keke also highlighted the issue of a landline telephone, which is also put as the criteria for being eligible for a loan. Telkom landline phone will serve as a proof for residence, but it was not easy for Keke to get a Telkom landline because of the following reasons: One, he could not afford the additional expense, two, where he stays there is no Telkom line. If Keke would still stay in the same place for the next five years, it means he would still not qualify for a loan until necessary infrastructure is put in place at his residence. The GEM report (2008:33) identifies a lack of credit record, small turnover, business unpredictability and the survivalist nature of necessity entrepreneurship as some of the factors that discredit it from getting loans from financial institutions (see chapter 3).

## **5.10 Entrepreneurial challenges**

The participants had a number of things that frustrated them. I had an opportunity to observe, share and learn more about some frustrating experiences that participants encountered each day during their entrepreneurial activity. The participants' frustrations ranged from the pace at which their businesses operated to municipal laws. On the days when the business was poor, participants were unfriendly to me. For example during the interview with the participant who sold clothes, two customers came by, they looked through the T-shirts, but did not purchase any item. When the two customers (two young ladies) walked towards our direction, my participant quickly excused himself from the interview and attended to his customers. With a very happy smile, he greeted them and showed them things he was selling. The two ladies just glanced at the few items and quickly left without purchasing anything. When I made eye-contact with my participant after interacting with his customers, I saw how downcast he was. He probably hoped to sell a few items, but nothing was sold. At that moment I realised how business affects entrepreneurs' emotions. Business means a lot to them. The bread they put on the table at end of the day depends on the number of customers that buy from them

The other frustrations had to do with municipal by-laws, that prevented them from conducting business along the main street and the police who frequently confiscated certain products they sold that were deemed unlawful such as written CDs, DVDs and cigarettes packs known as 'No name'. Whenever the police find entrepreneurs in possession of the abovementioned products, they confiscate them.

## **5.11 Ingenuity in necessity entrepreneurship**

There is a lot of talent, ingenuity and creativity among necessity entrepreneurs. Though the participants had limited education attainment, some of the things that some were able to do were commendable. All the skill and the talent they possess have been acquired intuitively and turned into a survival strategy or way for making a living. I managed to share in the experiences of some of the participants' work. One such participant repaired cell phones; he always had a heap of cell phones in front of him waiting to be fixed. When

I arrived, I found two customers queuing up for their cell phones, which were being repaired at the time. The participant dropped out of school at grade six, but yet his skill for fixing cell-phones was noticeable. Next to him stood his younger brother (about 15 years old). He was assisting his older brother, but at same time learning how to fix cell phones. Apparently, he also dropped out of school to learn this skill of cell phone fixing. The participant was not well educated, but he acquired skill with which to survive and bridge his lack of education.

Everything inside the cell phone is tiny and fragile; it requires to be handled with great care. The participant was able to disassemble it into separate parts, and then reassemble it again. background. When asked how he acquired such an astonishing skill, he explained:

“I use to work for this other Indian man at his cell-phone shop. He used to fix people’s cell phones. So he used to sent me around to get this and that while busy fixing cell-phones. I use to pay attention to how he fixed them and the instruments he used. I also came to know different parts a cell phone consists of. I worked with him until I thought; I could start my own business.”  
[translated – see endnote<sup>24</sup> ] (Mike: cell phone repairer)

One of the participants in this study earned his living by building and selling. The work was demanding I spent almost three hours observing his activity and interviewing him. He had four young men assisting him. As I approached them the owner , lifted up his head and made eye contact with me, and thereafter attended me. Before I even introduced myself, he had already handed me a piece of paper that showed different sizes of Wendy houses he sold, with their price range. I had a closer look at the paper—expressing interest and appreciation at his work. After that I introduced myself and the main purpose why I came to see him.

## 5.12 Conclusion

The chapter introduced necessity entrepreneurs and their daily entrepreneurial experiences. By and large, necessity entrepreneurs face the challenge of poverty. The prominent factor that exerts business strain on necessity entrepreneurs is the size of their families. Most of necessity entrepreneurs belong to extended families and care for them. It therefore becomes difficult for some to save some money to develop their businesses amidst family demands.

Another challenge that necessity entrepreneurs face relates to their educational attainment. According to the sample, highest educational attainment was grade 10. The impact of a lack of education transpired during the interviews. Some entrepreneurs offered their customers credit, but did not keep any record of the customers that owe them. Other participants openly acknowledged that they need training because they cannot easily determine their profits.

Social networks play a pivotal role in necessity entrepreneurship. It transpired in the study that entrepreneurs with good social network have successful ventures. Social networks facilitate their business activity and make it easy to manage. Joe, Keke, Lusuko, and Siphon in this study, serve as good examples of entrepreneurs who have successfully manage to exploit their social network to their benefit. The above mentioned entrepreneurs derived a variety of benefits from their network ranging from business referrals, financial help and support. For example, Siphon belonged to a business club, a very well-orchestrated social network that they use to collectively manage their businesses. These entrepreneurs have also illustrated the importance of cultivating a good social relation with customers. Some of them indicated that their satisfied customers market their business. Therefore social networks are crucial in any business activity.

It also transpired that most necessity entrepreneurs do not have any knowledge of the government support agencies. This means they cannot access government support meant for developing SMMEs. The access problem is compounded by poor administration of

some youth support agencies. An obvious example in this regard is Umsobomvu Youth Fund, which was dissolved because of the maladministration and ineffectiveness. Umsobomvu Youth Fund was succeeded by Nation Youth Development Agency (NYDA) which up to so far has not proven itself different from its predecessor. Since its official launch on the 16 June 2009 NYDA has done little for South African youth. It recently squandered 69 million on Youth Conference in spite of the concerns raised by the public ([www.news24.com/SouthAfrica/Politics/Youth](http://www.news24.com/SouthAfrica/Politics/Youth))

## Chapter 6

### Conclusion and recommendations

#### 6.1 Introduction

Youth unemployment in South Africa remains a source for concern. In the light of this, entrepreneurship is seen as an important initiative to overcome poverty and unemployment, especially among young people. The government has identified youth economic development as a priority and further institutionalised this priority by establishing the National Youth Development Agency. Like its predecessor, Umsobomvu Youth Fund, the NYDA made little impact on youth development since its official launch in 16 June 2009. Youth unemployment still remains a major challenge. Many unemployed youth venture into necessity entrepreneurship in order to make a living, but as Chigunta (2002) indicates they face many challenges. Key challenges highlighted by a majority of entrepreneurs in this study relate to family obligations, poverty, a lack of education or training, restrictive municipal bylaws and access to finance. Though most participants faced the challenges mentioned above, some used their social networks to ameliorate these challenges.

#### 6.2 Summary of the findings

In as far as family obligations are concerned, some participants highlight that family social hardship compel them to spend more money on the family needs instead of on the development of their businesses. Consequently, they live from hand to mouth, a tendency that always poses a challenge when they have to buy new stock. In certain instances, family social needs become so overwhelming that some use money set aside for purchasing stock to buy food, or they use stock for consumption by the family.

A lack of education and training is one of the factors that impact on necessity entrepreneurship. Some participants do not keep any books or records of their debtors. They run their businesses in an unorganised manner, without future planning or provision.

Some entrepreneurs voice their frustrations about restrictive municipal bylaws, which prevent them from selling their goods along the main road in the CBD. This restriction is a major cause for concern for most entrepreneurs because selling along this road exposes their businesses to more customers. In spite of the prohibition, most entrepreneurs continue to conduct their businesses in the forbidden area. However, ignoring bylaws cause them problems and hardship, because when caught, officials confiscate their stock.

In terms of financial assistance, most entrepreneurs have not bothered to apply for financial assistance due to a combination of factors. Most participants do not have any information on financial institutions and government business support agencies. Those who have such information, for example, do not qualify for credit due to the stringent prerequisites that banks require from potential credit seekers (see chapter 5).

Some participants, however, use their social relations as business survival strategy to expand their customer base and to get both financial and social support. By being part of social network, some participants could overcome some of the challenges mentioned above. For instance belonging to a stokvel disciplined them to save, allowing them to accumulate capital to spend on restocking. This added obligation can provide a counterweight to family obligations and demands (see chapter 5).

The results of this study therefore, highlight the importance of social networks in necessity entrepreneurship. It transpires from the interviews that participants who have weak social networks are more vulnerable to some of the challenges mentioned above. By contrast, the participants who have strong social networks had successful ventures.

### 6.3 Key arguments

This mini-dissertation is underpinned by the following key arguments: Chapter 1 introduces and contextualises necessity entrepreneurship. It argues, the inability of the South African labour market to create jobs for unemployed youth is the primary push factor towards necessity entrepreneurship. The chapter also describes the three stages of entrepreneurship as conceptualised by Chigunta (2002). These stages are pre-entrepreneur stage, budding stage and emergent stage. Each stage is characterised by certain challenges. Chigunta's (2002) model is taken as a point of departure to understand entrepreneurship theoretically. He stresses that pre-entrepreneur stage constitutes an important entrepreneurial stage because it represents a takeoff stage that determines the entrepreneur's success. Social networks and contacts are crucial in this stage because an entrepreneur needs more information as well as financial and social support.

Chapter 2 highlights the role of social networks and social capital in entrepreneurship. Holt (2008) advances an argument that entrepreneurial opportunities are socially constructed. His emphasis is that, to understand entrepreneurial opportunity is to understand how entrepreneurs experience and negotiate the collaborative practice of being in business. This refers to resources and benefits that an entrepreneur derives by being part of a particular social network. The accounts of Joe, Keke and Luzuko (see chapter 5) concurs with Holt's argument. Social networks carryout multiple tasks such as referrals of customers, advertising of one's business to potential customers, dissemination of crucial information.

Chapter 3 focuses on the challenges that young South African entrepreneurs face or encounter. Weak social networks among entrepreneurs are identified as the principal challenge that entrepreneurs need to overcome if they want to be successful. A second impediment relates to government support agencies. It is argued that South African government has not been successful in establishing an effective youth support agency. Umsobomvu Youth Fund and National Youth Commission are cited as some of the agencies that have failed to honour their mandates (see chapter 3). A third hindering factor

is access to financial assistance. Although access to financial assistance generally remains a challenge for entrepreneurs as a whole, necessity entrepreneurs in particular lack access to such resources. There are a number of factors that prevent them from being considered when applying for loans (see chapter 3). A fourth impediment is a lack of education or training. Most of the necessity entrepreneurs have little or no schooling (see chapter 3 & 5). This serves as a big disadvantage in their businesses. A last hindering factor is a lack of entrepreneurial spirit. The argument is that people venture into entrepreneurship as a last resort (necessity entrepreneurship) and therefore lack entrepreneurial spirit of endurance, perseverance and determination.

Chapter 4 discusses the methodology used in this study and the reasons for the choice of qualitative research approach. The study focuses on the experiences of young male entrepreneurs and the role of social networks in their entrepreneurial activity. Therefore, qualitative research methodology was deemed appropriate for the study because of the following reasons: One, a qualitative research approach strives to understand and to explain participants' experiences in their own words; two, it attempts to understand social reality from the view point of the participants; three, it enables the researcher to draw a comparison between social worlds or experiences that people within a particular social context, attribute to a particular social phenomenon (Wildermuth, cited in Myers 2000:132).

Entrepreneurship is not only a business, but is also a social activity, characterised by interaction of different social actors who attribute different meanings and reality towards it. Qualitative research was therefore deemed to be better positioned to enable a clear understanding of entrepreneurial activity. Chapter 4 furthermore unpacks the research process followed during the course of this research.

Chapter 5 records the experiences of the participants. It gives an account of how necessity entrepreneurs construct their own realities and make sense of the activity (entrepreneurship) they engaged in. The chapter reveals the challenges that necessity

entrepreneurs face on daily basis and how they deal with them. Family obligations, poverty and access to financial support, are some of the factors that emerge strongly from the study.

It is important to note that, strong social network play a crucial a role. Participants, who have weak social network, appear more vulnerable to some of the challenges mentioned above than participants with strong social networks. In light of the nature of necessity entrepreneurship and its concomitant challenges, it is important that necessity entrepreneurs develop a business survival strategy rooted in their social network.

## **6.4 Recommendations**

In light of high statistics of youth unemployment and the prevailing poverty, entrepreneurship is without any doubt seen as an important activity from which majority of unemployed South Africans attempt to make a living. As such, the promotion of entrepreneurial activity as a whole constitutes an important social and economic policy direction. The government must not only focus on opportunity entrepreneurship (as seems to be case currently), but also on necessity entrepreneurship. Research shows that informal sector, in which necessity entrepreneurship takes place, is generally ignored (Duggins 2005:130). Most of the SMMEs support services offered by government and other institutions, usually benefit some opportunity entrepreneurs and hardly benefit necessity entrepreneurs who operate in the informal sphere of the economy (Agupusi 2007:1).

Necessity entrepreneurs are usually not considered for financial and other forms of support. This results in an ongoing economic struggle for those who managed to start their own business, while those who have desire to start businesses, remain in poverty. The fact that only one of the entire sample knew about government support indicates how some necessity entrepreneurs are deprived of the opportunity to develop themselves economically. Agupusi (2007) observes that policy makers tend to disregard semi-formal and informal business sectors. She argues that the shortage of agencies that can be tasked

with the responsibility of cultivating and developing entrepreneurial culture among young people hinders their economic development.

A lack of efficiency and effectiveness displayed by Umsobomvu Youth Fund and National Youth Commission has hamstrung youth economic progress. These agencies were established without proper research carried out; as a result, services they offered benefited a few opportunity entrepreneurs who were well positioned to capitalise on them. As Keke explained (see chapter 5), Umsobomvu Youth Fund sent him from pillar to post when he applied for financial assistance to start his furniture business and eventually he decided to give up.

Keke, was the only participant who at least knew about Umsobomvu Youth Fund, though he did not receive any help from them. Other participants did not know anything about government small business support agencies. This shows how poorly these services have been marketed to South African youth. If government is really serious about promoting entrepreneurship as a means for eradicating poverty and unemployment, a country-wide research project must be commissioned to explore a possible policy orientation that can be responsible for developing necessity entrepreneurs' business skills.

None of the participants furthered their studies to matric. This had an impact in the day-to-day business administration of some participants. Kgomo's problem of being unable to account for his profit is a clear indication that he lacks basic accounting and numeracy skills. Whilst in the case of Dick, even though he granted his customers goods on credit, he never kept any records. Dick's case is more complicated as noted earlier in chapter 5 because he did not go to school at all.

In light of the discussion above, it is therefore recommended that the government must design specific entrepreneurial educational programmes for helping uneducated youth who own business ventures. The government should require all young people who apply for financial support to complete specific entrepreneurial training before granting them any

financial aid. This was not the case with Umsobomvu Youth Fund as those who had better connections just received financial aid (Azapo 2003:2-6). In its submission to the parliamentary Ad-Hoc Committee, the Presidency highlighted some of the flaws that Umsobomvu Youth Fund committed. To mention but just a few: poor targeting programme choices and resource allocation were highlighted. The Presidency submitted that assessment of both National Youth Commission and Umsobomvu Youth Fund (predecessors of NYDA) shows that more money was spent on outreach events and poor coordinated programmes (the Presidency 2008:5).

The government eventually came to a realisation that National Youth Commission and Umsobomvu Youth Fund did not achieve the mandate they were established for; hence they were dissolved to make way for NYDA. However, there seem no difference between NYDA and its predecessors. The agency squandered R69 million rand on the youth festival held in December 2010 (*The Citizen* Online 16 January 2011). Like Umsobomvu Youth Fund, which spent much of its allocated funds on the events instead of on the actual youth economic development programmes (the Presidency 2008:5); NYDA seems to follow the same course.

With reference to the above discussion, it is therefore recommended that the government must restrict the mandate of the current National Youth Development Agency, to specifically develop special programmes aimed at promoting and cultivating necessity entrepreneurship. It is furthermore recommended that the government must commission a research project to specifically explore establishing a model that can be used to finance necessity entrepreneurship. This should be an important policy initiative because majority of nascent ventures fail to take-off because of a lack of financial support (Brand *et al.* 2007:188). If the R69 million rand that NYDA spent on its festival was instead channelled to such research; and the remained used as capital for small business, that would have been an important youth development milestone.

Agupusi (2007:5) argues as follows:

“For a long time the government did not have a support agency for micro and `survivalist businesses. Although a few NGOs and CBO were involved in this sector, the lack of government support left a big gap in the development of the survivalists and micro enterprise sector.”

Survivalist or necessity entrepreneurship usually serves as a stepping stone or a bridge between the informal and formal economic sphere for some entrepreneurs. Some successful opportunity entrepreneurs were once upon the time necessity entrepreneurs, and have managed to progress (Agupusi 2007:7; Kunene 2008:18; Davies & Thurlow 2009). The government should thus start viewing necessity entrepreneurship as such and begin to invest more time and resources into it.

## **6.5 Conclusion**

Unemployment in South Africa constitutes a major social problem, especially among young people. The overwhelming majority of youth who are not, or are inadequately educated find it difficult to get absorbed into South African labour market. Consequently, most of these young people find themselves in destitution and poverty (Mathabathe 2006:1). According to Dinokeng Scenarios (2009:72), there is a close relationship between a lack of skill and unemployment. It is observed that there is 3 percent unemployment rate among university graduates, 28 percent for those with matric and 60 percent for those without matric. Some of these unemployed youth resort to crime and others resort to self-employment initiatives. The Dinokeng Scenarios (2009) also notes that 50 percent of youth between the ages of 20 to 24 are unemployment.

In the context of unemployment some young people resort to entrepreneurial activity, which has its challenges (see chapters 3 & 5). The literature singles out weak social networks, a lack of education, access to finance, government support and a lack of entrepreneurial spirit as factors that hinder entrepreneurship in South Africa. The

aforementioned factors affect both necessity and opportunity entrepreneurs. However, this study sought to determine the extent to which the obstacles mentioned above affect necessity entrepreneurs. In that regard, the study aimed to answer the following research questions:

- To what extent do social networks facilitate the success of entrepreneurs in the informal economic sphere?
- What difficulties do entrepreneurs experience in the informal economic sphere?
- How do entrepreneurs deal with the difficulties they experience in the informal economic sphere?

In the background of the challenges that necessity entrepreneurs face, the study assesses the role of social networks. It transpired from both the literature and the findings that social networks play a crucial role among necessity entrepreneurs. In line with Greve and Salaff's (2003) observation, it transpired that some participants rely on the family support to start and maintain their businesses. Joe (electrical appliances business owner) serves as an example. In his account he indicated that his family and relatives have specifically pledged to support his business by buying their electrical appliances from his business. One can see that, not only does Joe's family serve as a support structure towards his business, but it also serves as a source of social capital (see chapter 2). Joe's family and relatives spend their money in his business because they also benefit from the services that the business brings closer to them. Therefore, there is mutual gain between Joe and his customers.

Joe also regards his social network as a business survival strategy. In chapter 5, he is quoted as saying:

“...it is difficult to operate as a solitude here; we need each other’s help...Running a business here *my broer* requires a strategy and the skill to survive and make money” [translated – see endnote <sup>25</sup>]

I deemed it necessary to reproduce this quote because it captures the essence of what this study seeks to establish from necessity entrepreneurship. The quote reveals the role of social networks in necessity entrepreneurship. As far as Joe is concerned, strong social network serve as a means to survive adverse business conditions that some necessity entrepreneurs face. To shed more light on this, I would like to contrast Joe’s account from that of Tsongo (locksmith), Rocksa (sweets, cigarettes and chips), Kgomo (sweets, cigarettes, bags and jewellery) and Kgotso (tuck-shop owner). The entrepreneurs mentioned above all complained about poverty and family obligations. They described their businesses as a struggle for survival; and none of them had strong social network as Joe has. Their weak social network has a negative impact on their business.

In light of the discussion above, one can tentatively draw an inference that social network indeed fulfils an important role in any entrepreneurial activity. To shed further light on this, refer to the account of Siphon (cutlery and catering services). He is part of business social network. His affiliation to different social groups facilitates his business (see chapter 5). The same has been observed in Keke (furniture), Luszuko (Wendy house erector) and Soke (barber). Their good social relations with their customers helped them to get customer referrals.

Greve and Salaff’s (2003:5) contend that when social networks or contacts have a positive contribution on the entrepreneurs’ business activity, that constitutes social capital. Though participants did not receive any formal entrepreneurial training, some had intuitively learned business social skills. They used different methods to cultivate a relation of trust

and continued cooperation with their customers. Some did this by granting their customers credit and adopting flexible ways of doing business with their customers (see the account of Kgau and Siphon).

Social network implies co-operation between entrepreneurs. It also implies unity in their entrepreneurial activity. Therefore entrepreneurs who share social network are able to help one another when it matters most.

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## ANNEXURE A

### CONSENT LETTER<sup>1</sup>

Dear Participant

My name is Stephens Skosana. I am studying for a master's degree in Industrial Sociology and Labour Studies. In order to complete this degree I have to conduct research. I have decided to study experiences of young male entrepreneurs with regard to their business ventures. The topic of my study is "Young male necessity entrepreneurs: a case study in Soshanguve".

In this study I will ask you why you decided to begin a business as well as how it has been going with your business. I will also ask you about whether you receive any support or help, and what challenges you face.

I would like to ask you to participate. I will appreciate if you agree. Your participation is voluntary. You may withdraw from the research at anytime. If you do not want to answer any of the questions I ask, you do not have to.

If you agree, I would like to tape record our discussion and thereafter transcribe it to form part of the study. This will ensure accuracy in the information you provide. Although you will not benefit directly by participating in the study—your participation and experience will help me and others better understand the challenges young male entrepreneurs face.

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<sup>1</sup> The consent letter presented to participants in the study was printed on the University of Pretoria letterhead.

The information obtained from you will be stored for 15 year in a safe place at the Department of Sociology. I also ask your permission to reuse this information for subsequent results. A copy of the mini-dissertation will be available in the university library and may also be sent to the Department of Trade and Industry.

Thank you for considering this request. Your participation will be of great value in the understanding of entrepreneurship and the challenges young males starting business ventures face. If you do agree to take part in this study, please sign the attached form. This will serve as an acknowledgement of your consent to participate in the study.

Confidentiality is guaranteed. This means that the information you provide will not be linked to your name. The form you sign will be kept separate from the transcripts. Your name will not be used in the report.

Should you have any questions about this particular study, feel free to contact me any time at your convenience, on the following numbers: 076 184 9281.

Sincerely

Stephens Skosana

**FORMAL ACKNOWLEDGEMENT OF CONSENT**

I..... On this day of .....2010 agree to be interviewed for the masters research project of Stephens Skosana. I am fully aware that I can withdraw from the study at any stage. I understand that I will be asked questions. I give permission for the tape recording of the interview. I understand that it will be transcribed for the purposes of data interpretation and analysis. I give the researcher permission to re-use the information I provide in the later stage.

**Participant**

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

**Researcher**

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

## ANNEXURE B

### INTERVIEW GUIDE

My name is Stephens Skosana. I am studying for a Masters degree in Industrial Sociology and Labour Studies at the University of Pretoria. In order to complete this degree I have to conduct research. I have decided to study experiences of young male entrepreneurs with regard to their business ventures.

I will like to talk to you about your business. The information you provide will be treated confidentially. You may refuse to answer any question that you do not wish to answer. Your name will not be used in the research.

I would like to tape record our discussion and thereafter transcribe it to form part of the study. This will ensure accuracy in the information you provide. Although you will not benefit directly by participating in the study—your participation and experience will help me and others better understand the challenges young male entrepreneurs face.

The information obtained from you will be stored for 15 year in a safe place at the Department of Sociology. I also ask your permission to reuse this information for subsequent results. A copy of the mini-dissertation will be available in the university library and may also be sent to the Department of Trade and Industry.

Thank for considering this request. Your participation will be of great value in the understanding of entrepreneurship and the challenges young males starting business ventures face. If you do agree to take part in this study, please sign the attached form. This will serve as an acknowledgement of your consent to participate in the study.

## Themes

### 1. Background information

Tell me about yourself

1. Age: How old are you?
2. Education: What is your highest education qualification?
3. Family: Do you have any dependents, if yes, how many

### 2 Employment history

Tell me about your work experience.

4. Have you worked elsewhere?
5. Do you do any work, besides this business?
6. Would you prefer to work elsewhere rather than what you are doing now?

### 3. Business experiences

Tell me more about your business

7. Why did you decide to do this?
8. Do you enjoy doing this?
9. How long have you been doing this?
10. What difficulties did you encounter when you started your business?
11. What challenges are you still facing currently in running your business?
12. Would you describe your business as successful?
13. Have you employed anyone in your business?

### 4. Social networks

Tell about how you started your business.

14. Did you receive any help from family, friends or government when you started your business?
15. Do you know of any SMMEs support structures, and how to access them?

16. If yes, how much of help have they been to you?

**5. Training needs**

Tell me about training that you think you need for this business.

17. Have you received any training in business management?

18. Would you like to receive any training?

19. Which areas of business would you like to receive training on?

**6. Future**

Tell me about your future plans

20. Where do you see yourself in 10 years time?

21. What are your dreams?

We have come to the end of the interview, thank you for your valuable time.



## ANNEXURE C

### PROFILE OF PARTICIPANTS

<b>Pseudonym</b>	<b>Age</b>	<b>Educational status</b>	<b>Business type</b>	<b>Number of years in the business</b>	<b>People employed</b>	<b>No of interviews</b>
Kgau	33	Grade 7	Clothes	5	0	2
Kgomo	31	Grade 8	A variety of items: bags, cell-phone chargers	6	0	1
Rocksa	29	Grade 6	Sweets, cigarettes, bags and jewellery	8	0	1
Dick	23	No formal education	Cigarettes and sweets	6	0	1
Kgotso	30	Grade 10	Tuck-shop	4	0	1
Nkwe	35	Grade 10	Salon	10	3	1
Tsongo	29	Grade 5	Locksmith	6	0	1
Joe	32	Grade 9	Electrical appliances	7	0	1
Keke	28	Grade 8	Furniture	8	2	2
Mike	25	Grade 6	Cell phone repairer	2	1	1
Soke	24	Grade 8	Barber	2	0	1
Ike	19	Grade 5	Necklaces and watches	3	0	1
Sipho	20	Grade 7	Cutlery and catering services	1	0	1
Luzuko	34	Grade 5	Wendy House Erector	5	4	1
Thomas	21	Grade 8	Car wash	2	0	1

## ENDNOTES

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<sup>1</sup> Eh, joe...Ga se ka kgona go ya sekolong ka lebaka la bodidi. Ke dula Soshanguve, block JJ. Ke goletse Winterveld...Re tlogetse go ya sekolong ka morago ga gore tate a hlokofala, lebaka le lengwe e be e le gore re be re sena tshelete ya go ka tswelensa dithuto tsa rena pele. Ke ile ka swanela ke go thoma kgwebo ye.

<sup>2</sup> Ka gagesho re le lesometee ka palo gomme nna ke lego e mogolo mo masoganeng, ka lebaka leo ke swanetse go fepa bao ke dulago le bona. Ke nale bo morwarre ba babedi, bobedi jwa bona gaba shome. Ke nale dikgaetsedi tse tharo, o mongwe o nale bana bababedi mola o mongwe a nale o motee. Ka moka gabona ga se ba nyalwe gape ga ba shome. Ka moka ke maikarabelo a ka, ke bala le bana baka ba ba bedi. Mashokotso a kgwebo ee, a felala go dinyakwa tsa ka lapeng lesho. Nako e nngwe le e nngwe geke swanetse go reka thoto ya go rekisha, ke thoma ka go adima tsheletse bagwereng. Mmm,Go thata go phela ka fase ga maemo a nna le balelapa lesho re ikhwetsago re le ka fase ga ona. Empa ke thabishwa ke gore ke kgona go bea sengwenyana sa go isha maleng tafoleng letsatsi ka letsatsi. (Tsongo: locksmith).

<sup>3</sup> ...Eh, o a bona morwarre, ke belegetswe ka gare ga lapa le legolo. Tate ke waka bogoshing, o nale bahumagadi ba shupago. Bana beso ke ba seelago, empa ke swanele ke go fepa bo morwarre le dikgaetsedi tsaka go tswa malapeng a mangwe (Ga Mmane le Ga Mmamogolo) tse mashokotso a kgwebo ye. Jwale ka ge o bona, ke rekisha dipompong, metsoko le dichips. Seo se ra gore ga ke dire tshelete ye e bonagalago. Ke dira tshelete e ekabago R150 go isha go R200 per week. Mo tseleteng yeo, ke swanela ke go bea engwe ka thoko gore ke tle ke kgone go reka thoto e ngwee ya go rekisha. Go thata e le ka neete morwarre ka gore re “shomela molomong”. Go be go tla kaone ge nkabe ke fepa mosadi le bana baka feela, jwale ka gore ke sa dula ka lapeng la tate, ke a gapeletsega go fepa lelapa kamoka. Gape nka se kgone go tse kgone go tsea Mosadi le bana baka ra tloga, ke lebaka la gore bana besho le batswadi baka batla bolawa ke tlala. (Rocks: sweets, cigarettes and chips).

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<sup>4</sup> Jaa! Ken a le bana baba raro, Ka moka ga bona ba tsena sekolo. Ga ken a lapa le e lego laka ka gore ke phejane ka lapeng lesho. Ge tate a fetsa go hlokofala, ke ile ka abelwa ntlo yesho. Re dula re le ba sennyane, Ke nna, mosadi waka le bana ba rena ba bararo, mma, kgaetsedi yaka le bana ba gagwe ba ba bedi. Ga se nna fela ke shomago, kgaetsedi waka le yena oa shoma, o nthusha mola le mola, empa nna ke nna e ke lebanego le moshomo o mogolo. Kgaetsedi o shoma jwale ka mothushi malapeng a batho gape o gola tsheletse e nnyane. Tsheletse ya ka e felela diaparong tsa bana tsa sekolo, skolofisi le go ja sekolong. *Hei, joe*, o ka se nkgolwe. O a tseba ken a le megwanga e lesometshela ke mo kgwebong ee, le jwale ga ke na mo ke bolokelago tshelete. Ga ken a tsheletse e nka e bolokago ka baka la maikarabelo a ke nalego ona ka gesho (Kgomo: Sweets, cigarettes, bags and jewellery)

<sup>5</sup> Ke nale semaushwana empa balapa laka ba sa phela ka gare ga bodidi. Go ba boima go bona bana bas were ke tlala, ka mo ke beile borotho le hlaphi mo dishelofong ke emetse bareki gore bat le ba reke. Gape ge ke efa bana gore ba je, ke tsena mathateng a go loba kgwebo. Go loba kgwebo e, go tla be ro e ra go loba mo ke hwetsetsago tsheletse ya go fepa ba lapa laka. Ka mangwe matsatsi bana ba ka ba ya malaong ba se ba je selo. Re dira bo johle gore kgwebo e gole. Empa sebakeng sa gore kwebo e gole, e gola ka nnyane ka maatla. Ke katana le kwedo e, ke le ka gare ga bodidi. Empa ga go swane le go dula. Ke nagana gore ge nkebe ke se na kgwebo ee, balapa lesho nke be bah wile ka tlala ge re bolela jwale. Ke leboga Modimo ka dijo tse ke kgonago go di bea tafoleng ka matsatsi a magwe. (Kgotso: tuck-shop owner)

<sup>6</sup> Ee, Ke hloka thuto, Ka lebaka la go hloka thuto, ga ke kgone go hlokomela kwebo ye gabotse. G eke dira mashokotso mo kwebong ye, ke bona fela gore tshelete e godile empa ga ke kgone go tseba gore ye ele go mashokotso ke bo kae g eke e babetsa le matsatsi a magwe. Ke shomisha tsebo yaka ya thlago. Ke no akanya, Ka re “Mmm Lehono ekare kgwebo e dirile gabotse, Mmmm ...Ka nako enngwe ke ikhwetsa ke shomishitse tshelete ya go reka thoto ya go rekisha ka phosho. (Kgomo: bags, cell phone chargers)

<sup>7</sup> Ke dumalela bareki baka ba go tshepega gore bat see dilo tseo ba di nyakago ka sekoloto ka gore ba mpatela gabotse. Ga mphe bothata ge ba swanetse gore ba mpatele. Mara ka

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gore ga ke ngwale maina a bona fase, ken ale go lebala maina a bona le gore ba kolota bo kae. (Dick: Sweets and cigarettes)

<sup>8</sup>Ke mohlako o onkgapeleditseng go thoma kgwebo e. Ka baka la gore ga ke shome gape, ga go yo a shomago ka gae, bophelo e ba bjo bothata. Go dula gae o sa dire selo ga go thushe ka selo. Gape ga go thushe go nyakana le moshomo mola o sena maitemogela a moshomo le thuto. Bahiri ba rata go tseba gore o nale maitemogelo afe pele ba ka bolela le wena go tswela pele. Ka lebaka leo, Ge o sena maitemogelo, go nale kgonagalo ya gore o tsee nako a telele go ka hwetsa moshomo. Empa ge ole mo kwebong go ba kaone ba gore o hwetsa sesengwenyana. (Thomas: car wash owner)

<sup>9</sup> Ke be ke shoma pele gen ka thoma kwebo ye. Ka manyami re ile ra fokotswa. Kgwebo e ile ya jewa ka baka la ge mongkgwebo a se a shomishe tseletse ya kgwebo gabotse. Kamoka ga rena re ile ra fiwa ditshetele, seo se ila sa ra gore ke swanetse ke go thoma go nyaka moshomo o mogwe. Empa, go be go se bonolo. Kei le ka nyaka, ka nyaka, empa ke se o hwetse moshomo. Ka be ke tsea sepheto sa gore, ke tsee tshetele e ken ago le yona ke bule semaushwana. Kgwebo e sepela gannyane, empa go kaone ka gore ke nale setsenwa. ....ehh, Go nale phapang ekgolo makgatheng a gomela motho 'mongwe le g eke itshomela. Selo se tee se ke se gopolago ka go shoma ke mogolo o o bego osa shikinyege ka kgwedi le kgwedi. Ke be ke kgona go beakanya tsha ditshetele gabotse le gore ka mokitlana selo se sengwe le sesengwe se ke bego ke se nyaka. Empa ge o le mo kwebong o ka se kgone go beakanya tsa ditshetele pele ga nako. Kgwebo ya rena ga e tshepagale, ka nako e nngwe o dira tshetele e nnyane. Tshetele eo e shome go reka sela le sela ga mo gae. Empa se se bose ka go ba le kgwebo ya gago ke gore oba monngwagago, o shoma ge o nyaka. Empa gen ka hwetsa moshomo gona jwale, nka hwetsa motho yo a ka go nthlokomelela kgwebo e ge nna ke eile moshomong. (Kgotso tuckshop owner).

<sup>10</sup> Ke nyaka moshomo o mokaone, empa nka se tlogele kgwebo yaka ka gore ke nyaka e gole go feta mo. Ke mo go thata go tshepa tshetele e e dirago ke kgwebo feela. E swanetse ke go thusha ke setsenwa se sengwe. "Nka thabela go be le bobedi jwa tsona, kera Moshomo le Kgwebo. (Tsongo: Locksmith)

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<sup>11</sup> O a bona mo *broer*, re na le batho ba re shomang mmogo le bona. Ken ale banna ba gesho ba ke tshushanago nabo. Tsea mohlala, Ge moreki a nyaka go reka selo se ke se nago naso, ke se adima go ye mongwe wa bagwera baka. Ke se boshetsa ge ke etsa go reka thooto. Empa ga o ye go mang kapa mang a rekishago mo wa kgopela thusho, o swanetse go ba le bao shomishanago le bona. Thusho y arena ga e felele moo, le ka tshelete re a thushana ge o mongwe “a se a ema gabotse”. Ke ka mokgwa o re phelago ka gona moo, *broer!* Ke go go thata go ba moshikannoshi felo mo! Re a hlokana. Go feta mo, ge moreki a nyaka se nna ke sa se rekishego, empa mogwera waka a serekisha, ke moswara ka letsogo ka mo isha go yena mogwera waka. Go ba le kgwebo mo, go nyaka bohla le maitemogelo a go dira tsheletse. Ge o sa dire maano a go phaala bo rakgwebo ba babangwe, kgwebo ya gago e tla phuhlama.” (Joe: electrical appliances)

<sup>12</sup> Re nale sehlopha mo, re senyane ka palo. Kamoka re nale dikgwebo gona mo. Ka morago ga beke tse pedi, ba babedi ba rena bay a go reka thooto. Re tshentshana ka go patela tsheletse ya senamelwa le ya makhura. Ka mokgwa o, omongwe le omongwe wa rena o tsea dikgwedi tse nne a sa patele tshelete ya senamelwa le makhura. Go ba bonolo go hlokomela kgwebo ka mokgwa o. Ke nagana gore go be go tlabo boima mo go nna ge nkabe ke se leloloko la sehlopha seo. Sa go swana le se, se diregile g eke thoma go ba lekgwebo ye. Ke be ke sa tsebe gore thooto ya go rekega e hwetsagala kae, ka mahlatse o mongwe wa bagwera baka o be a shetse a ne kgwebo mo. A nkothaletsa gore ke be moleloko wa sehlopha se. Maloko a sehlopha se, a be shetse a tseba gore thooto tsa go rekega dihwetswa kae gape ke tse difeng tse di rekiwago ka kudu (Sipho: cutlery and catering services)

<sup>13</sup> Nna le bakgotse baka ba bangwe re thomile stokvel, re patelana ka morago ga beke tse pedi tshelete ya go lekana R100. Re ba bane mo mogodisanong; seo se ra gore, ge ele nako ya ka ya go gola, ke hwetsa makgolo a mararo. Tshelete ya gona e nthusa kudu mo besinesing yaka. Efela ka nako yengwe ge besinesi ya ka ge e ese ya dira gabotse, ke ba le mathata g ke swanetse go patela. (Sipho: Cutlery).

<sup>14</sup> Kamano yaka le bareki baka ke ye botse e le ruri” Ke leka ka maatla go tseba bareki baka, gomme ka dira gore kamano ya rena ebe e itiilego. Jwale ka rakwebo ke ile ka bona gore go bohlokwa gore ke dire bareki baka ba dule bat habile gore ba tle ba tswela pele ka

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go reka mo go nna. Ke tshepile bareki baka gore ba mpapaletse tse ke direkishago. Ke shetse ke bile le bareki ba ba mmalwanyana ba ilego batla ba reka diphaahlo mo go nna bare be rometswe ke babangwe ba bareki baka. (Keke: Furniture).

<sup>15</sup> Bareki baka ba bapatsa kgwebo yaka, Tsea mohlala, Gen ka rekishetsa motho o tee mokhukhu mo Soshanguve block GG, Baagishane ba bona lebona ba ba lekganyogo gomme, moreki waka a ba tlisha mo go nna. Ka mokgwa o, ke hwetsa bareki ba ba ntshi bao ba rometsego ke babagwe. Ke dira ka meshegofela gore ke swara bareki baka gabotse gore ba tle ba kgone go mpoela gabotse go bao ka go bareki baka ba kamoso. Le ge ke nale dipampishana tsa go bapatsa kgwebo, papatso e ntshi e dirwa ke bareki baka. (Luzoko: Wendy house builder)

<sup>16</sup> Bareki ba bantshi ba tswela pele go tla mo lebenkeleng laka la go kera moriri, ka gore ba bona ka mokgwa o ke kerilego babangwe gabotse ka gona. Bao ba nago le kgahlego ba botswa ke bao ba shetsego ba kile batla mo lebenkeleng laka ka moshomo o ke o dirago. (Soke: barber)

<sup>17</sup> Karolo e kgolo ye e lego molaleng ye e bapalago ke bareki, ke gore ba tlisha tshelete. Se sengwe gape ke gore ge bareki ba kgahlwa ke kwebo ya gago, ga go ka mokgwa o e ka segolego, Ka bakala la gore gore bareki ba e tsea jwang kgwebo ya gago, go bohlokwa kakudu. Ge batho bas a bolele kgwebo ya gago gabotse, seo se e fa maemo a mabe gape se se tla dira gore o lahlegelwe ke tshelete e ntshi....Ke ra gor kgwebo ya gago e tla wa pu! Bona monna gesho, kgwebo ke kgwebo ka batho, Seo se era gore batho ke mo rena bo rakgwebo re hwetsago setsenwa gona. Ge bo rakgwebo ba sena kgwerabo e botse le bareki babona jwale ka bona swerego tsheletse, seo se tla ra go reng? Se ra gore kgwebo ya gagwe e ka se tswelile. Ke ka lebaka leo batho ba rego “Moreki o dula a le nneteng” ka baka la gore ge o ka phegishana le moreki, lekgetlong le le tlogo a ka se hlwe a etla go reka go wena, empa a ya gore bao baphenkgishani ka wena kgwebong. Monna’gesho lebelela ka mo mathoko a gago (o mpontsha bo rakgebo babangwe) O a ba bona ba rakwebo ba? Ka moka re lwela selo sa go swana e le go bareki. Ge ke loba moreki ke loba tshelete. “(Kgao: clothing business)

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<sup>18</sup> Makgehlong a mantshi mabenkele a rekisha diphaahlo ka bontsi/dipaka, mokgwa wa bona wa go rekisha ga o fotoge ga bonolo e bile o nale kgatelelo ge o o bapetsa le o o shomishago ke rena. Dilo tse re di rekishago di lokisheditwe ruri e bile di a swarega. Bareki ba rena ga ba shome ka maatla go hwetsa tseo ba di nyakago. Re di reka ka bontshi/dipakana mabenkeleng gomme ra fihla ra di rekisha re di amologantse. Re reka bontshi jwa dithooto tsa rena Gauteng. Re leka ka maatla go se rekishe dilo tse di rekishwago ke mabenkele a mo re dulago gona.(Sipho: Cutlery)

<sup>19</sup> Ke swara bareki baka ka go ba fa mokitlana, ke ba dumelela gore ba mpatele ka kgaokgao. Batho ba tseba gore ba tla go nna ba hwetsa diaparo tse mpsha tsa go ya midiron, ba tla ba patela ka morago. Kgwebo ya e fapana le ya mabenkele ka gore mabenkele ga a fe bareki mokitlana wa go swana le o nna ke ba fago ona. Tsea mohlala, ge o beeleletsa seaparo ka lebenkeleng, gab a go dumelele go sepela le sona go fihlela o fetsa go se patela, empa mo go nna ge ompha tshelete ya go beeleletsa ke a go fa o sepela le sona. G eke rekisha selo ka R150.00 o ka mpha R50.00 gomme wa tla wa mpha R100.00 ka morago. Ke ka mokgwa o ke swarago bareki baka.” (Kgau: clothing business)

<sup>20</sup> Go nale bothata bjo bo sepedishanago le go fa bareki ka sekoloto ka gore babangwe gab a bowe go tla fo feleletsa dikoloto tsa bona. Seo se e ra gore ge bareki ba sa patele ke hwetsa bothata bja go yak e reka thooto e ngwe gape. Empa ke swanetse go ba fa sekoloto ka gore g eke sa bafe bat la ya go rakgwebo e mongwe.” (Kgotso: tuckshop owner)

<sup>21</sup> Ba kile ba mpotsa gore, ge ke nyaka go thoma kgwebo, ke e thome mo go se nago ye e swanago le yona. Ka lemoga gore se ga se bonolo. Ka leka go ba lemosha gore kgwebo e ke e thomago e nale bokgoni bja go dira tsheletse e ntsi, gape ke tlo kgona go busha tshelete ya bona. Empa ba be ba sena maikemishetso a go ntheeletsa. Ba ile bare ke swanetse goba le tsheletse e itsego ba pankeng pele baka nkadima tshelete. Mohlala, Ge o rata go reka kgwebo ye e kabago milione ka o tee, o swanetse goba le tsheletse e e kaba go diperesente tse lesom tsa tsheletse e o e nyakago ka akhaonteng ya gago. Manyami ke gore ke be ke se na yona tshelete eo. Kgwebo e yaka e, ke ethomile mathomong, ke bea sente enngwe le enngwe ye ke idirilego. Ge re bolela jwalo ken ale mafelo a ma bedi a go rekisha, ke mo ke rekishago mepete, diraka le dicabinete” (Keke: furnisher business)

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<sup>22</sup> Mogwera o mongwe waka o mpuditse ke ba go fana ka ditsholetse, le yena o boditswe ke mogwera wa gagwe ka Umsobomvu. Ke ile ka nyama kudu ge ba se ba kgona go nthusha. Go tloga mo ka ipotsa gore ke tla you a ikemetsego, ka lebala ka thusho ya go tswa mmushong. Ke a bona mmusho o nale batho ba ona, ka madimabe ga se nna e mongwe wa bona. Ke ile ka swanela ke go emella ke itirela ka bonna, ka ntle go tshepa motho”.(Keke: furnisher business)

<sup>23</sup> Gape ke ile ka leka go adima tsholetse pankeng, le gona ga se ka tswelelela, Ba ile ba nkgopela lenaneyo la ka la kgwebo, ka ba fa yona. Ba mpotsisha gore ke tlo kgona jwang go patela sekoloto seo ge kwebo e ka wa? Ba ile b mpotsisha gore ke nale ntlo naa go ba thooto ye e sa shuthego e ka rekishwago ka theko e itseng, tse kamoka ba di nyakela gore ke beeletse seo ba ka go se tsea ba se rekisha ge ke nka palelwa kef o patela tshetele e pankana e nkadimilego yona. Se sengwe gape se pankana e ilego ya se nyaka go nna ke mogala wa ka gae. Ba rile ke swanetse goba le mogala wa Telkom.. Gab a nyake cellphone feela. Kei le ka loga gore ga go bonolo go adimiwa tsholetse ge o le rekgwebo yo a sa thomago.” (Keke: furniture business)

<sup>24</sup> Ke be ke shomela monna yo mongwe wa moindia shopong ya gagwe ya difouno. O be a lokisha difouno tsa batho, O be a rata go nthoma-thoma ge ntshe a lokisa difouno. Ke be ela hloko gore o lokisha bjang, le gore of shomisha tsefe di diriswa. Ke ka mokgwa woo, ke tsebilego go lokisha difouno lenna. Ke ile ka gopola gore lenna nka ithomela kgwebo yaka (Mike: cell phone repairer)

<sup>25</sup> ...go boima go tsamaisha kgwebo o le tee moo, re hloka go thushana moo. ..Go tsamaisha kgwebo moo *my broer* go nyaka plano le bokgoni bja go dira tshetele (Joe: electrical appliances)