



**EVALUATING THE SOUTH AFRICAN
SMALL BUSINESS POLICY TO DETERMINE
THE NEED FOR AND NATURE OF
AN ENTREPRENEURSHIP POLICY**

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DECLARATION

I declare that the thesis,

“EVALUATING THE SOUTH AFRICAN
SMALL BUSINESS POLICY TO DETERMINE
THE NEED FOR AND NATURE OF
AN ENTREPRENEURSHIP POLICY”,

is my own work, that all the sources used or quoted have been indicated and acknowledged by means of complete references, and that this thesis has not been submitted previously by me for a degree at any other university.

MENISHA NÖLEEN MOOS

September 2014

ABSTRACT

EVALUATING THE SOUTH AFRICAN SMALL BUSINESS POLICY TO DETERMINE THE NEED FOR AND NATURE OF AN ENTREPRENEURSHIP POLICY

by

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Even the best developed policies can and do fail, without attaining their desired outcomes. Many countries have developed small business policies directed at supporting and creating a favourable environment for cultivating small business and entrepreneurship. Policies specifically aimed at entrepreneurship are less prominent but also growing (Lundström & Stevenson, 2005:53; United Nations Conference on Trade and Development (UNCTAD), 2012:1). The existence of entrepreneurship policies in developing nations continues to be rare, despite the belief that entrepreneurship can spur economic growth and employment.

The literature review introduced various important elements within the field of small business and entrepreneurship and, specifically, in the policy domain. The context of policy monitoring and evaluation was also addressed. Furthermore, the literature revealed clear differences between small business and entrepreneurial ventures which were not genuinely considered when small business support was initiated in South Africa with the introduction of the National Small Business Act (No. 102 of 1996) as amended. Only a small business was defined by the Department of Trade and Industry (**dti**) and not an entrepreneurial venture (**dti**, 2003:8). At present, both start-up and established businesses are operating in

South Africa with the possibility of either growing into a small business or entrepreneurial venture.

The main purpose of this study is to evaluate the national small business policy of South Africa and to determine its shortcomings. An entrepreneurship policy was identified as a possible alternative to address the gaps left by the small business policy. A content analysis of entrepreneurship and small business policies highlighted that the main differences between these two policies are the focus on individuals versus business ventures; pre-start-up versus post-start-up support; and a broad versus narrow definition of which institutional structures constitute the support environment.

In this research, constructs drawn from the literature study were used to formulate the conceptual framework, research questions and hypotheses. Quantifiable data were obtained from three groups of respondents – namely, start-up business owners, established business owners and government officials involved in small business development and entrepreneurship. The sample consisted of 23 government officials and 340 start-up and established business owners from five metropolitan municipalities in the Gauteng, KwaZulu-Natal and Western Cape provinces of South Africa. The empirical research was undertaken between 01 November 2011 and 30 April 2012. The One-Way ANOVA Test, Kruskal-Wallis One-Way ANOVA Test, Friedman Two-Way ANOVA Test, Mann-Whitney *U* Test and Chi-square Test were executed to present the statistical significant differences between the three groups of respondents. The statistical tests were also executed to illustrate the statistical significant differences within the different groups as well as within different metropolitan municipalities in selected provinces. Pearson's correlation coefficient was conducted to determine whether there was a significant relationship between the different small business policy evaluation factors and the needs factors of business owners. The findings of this empirical study prove that the small business policy does not address the needs of both start-up and established business owners which may support their development into small business and entrepreneurial ventures. Even though there is a mismatch between the supply and demand of support services, this study did not find evidence to support the need for an entrepreneurship policy in South Africa to supplement the

existing small business policy. Businesses will continue to operate irrespective of an additional policy. The results of the study can be utilised by government to formulate and design adequate policies that focus on the specific needs of start-up and established business owners.

The contribution of this study to the body of knowledge, and the possible limitations of the study, are discussed. Areas of future research are outlined and various recommendations are made to guide current and prospective small business and entrepreneurship policy makers regarding the choice of policy instruments, monitoring and evaluation. In conclusion, this study demonstrates the importance and value of policies to business owners and entrepreneurs that can effectively assist business venture survival, growth and success.

KEYWORDS:

Small business

Entrepreneurship

Start-up and established business owners

Key elements of small business and entrepreneurship policy

Small business policy in South Africa

Entrepreneurship policy

Key considerations for policy evaluation

Small business policy monitoring and evaluation in South Africa.

I dedicate this doctoral thesis to my late parents

Noël and Dolphina Adams

I salute you for your unconditional love, support and
belief in my abilities and capabilities.

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ABBREVIATIONS, ACRONYMS AND GLOSSARY

ANOVA	Analysis of Variance
B-BBEE	Broad-Based Black Economic Empowerment
BBC	Black Business Council
BEE	Black Economic Empowerment
BSSD	Business Support and Skills Development (unit of the Western Cape)
CCCI	Cape Chamber of Commerce and Industry
CIPC	Companies and Intellectual Property Commission
DPLG	Department of Provincial and Local Government
dti	Department of Trade and Industry
E/SB policy(ies)	Entrepreneurship/Small Business Policy(ies)
EU	European Union
FNB	First National Bank
GCI	Global Competitive Index
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GEP	Gauteng Enterprise Propeller
GLM	The General Linear Model
GPG	Gauteng Provincial Government
GWM&ES	Government-wide Monitoring and Evaluation System
ILO	International Labour Organisation
ISED	Integrated Small Enterprise Development Strategy
ISPESE	Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises
LDCs	Less Developed Countries

LED	Local Economic Development
M&E	Monitoring and Evaluation
NEF	National Empowerment Fund
NYDA	National Youth Development Agency
OECD	Organisation for Economic Co-operation and Development
SAMAF	South African Micro-Finance Apex Fund
SAS	Statistical Analysis System
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SME(s)	Small and Medium Enterprise(s)
SMEA	Small and Medium Enterprise Administration
SMME(s)	Small Medium and Micro Enterprise(s)
SPSS	Statistical Package for the Social Sciences
TEA	Total early-stage Entrepreneurial Activity
UK	United Kingdom (of Great Britain)
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USA	United States of America
VAT	Value-added tax

CHAPTER 1:

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

1.1.1 BACKGROUND

Even the best developed policies can and do fail, without attaining their desired outcomes. Many countries have developed small business policies directed at supporting and creating a favourable environment for cultivating small business and entrepreneurship. According to Mason and Brown (2013:222) policy makers need to customise and shape policy properly to the specificities of their own distinctive economic, small business and entrepreneurial context. Policies aimed at entrepreneurship are less prominent but still growing (Lundström & Stevenson, 2005:53; United Nations Conference on Trade and Development (UNCTAD), 2012:1). The existence of entrepreneurship policies in developing nations continues to be rare despite the belief that entrepreneurship can spur economic growth and employment.

Amongst the outcomes of small business and entrepreneurship are job creation, economic growth and general prosperity. At present, the small business sector in South Africa is not large enough because it has not absorbed as much labour as it should have (The World Bank Group, 2010b:1, Themba, 2012:5; Peyper, 2012:1). Consequently, one of the priorities of government has been to change the environment in which Small Medium and Micro Enterprises (SMMEs) operate. For this reason, a small business policy was developed to support small business and entrepreneurship. Research provides information to build government policy and strategy relating to small business and entrepreneurship. Stimulating entrepreneurship and supporting it appropriately as well as properly, will require considerable reforms which must start at the highest levels of government (Herrington, 2013:12).

van Vuuren and Groenewald (2007:269) highlight that although much support, education and training are given in South Africa, policy makers and educational institutions should take note of the various differences in the needs of small businesses and entrepreneurial ventures to make provision in their support and training for these differences. These two types of business ventures can be further distinguished into start-up (less than 3.5 years old) and established businesses (more than 3.5 years old), based on the age of the business (Turton & Herrington, 2013:15).

It is important to distinguish clearly between entrepreneurial ventures and small businesses. Nieman and Nieuwenhuizen (2009:9) and Nieman (2006:4) regard them both as critical to the performance of the economy because they serve different economic functions. While both need entrepreneurial action for start-up, the small business venture will tend to stabilise at a certain stage and will only grow with inflation (Barringer & Ireland, 2012:32). In contrast, entrepreneurial ventures are businesses where the principal objectives are profitability and growth.

Nieuwenhuizen (2007:2) and Watson (2013:406) further assert that it is important to keep in mind that not everyone who starts a new business is, in reality, an entrepreneur. Some might be enterprising but true entrepreneurs habitually create and innovate to build and grow something of recognised value. An entrepreneur identifies an opportunity to start a business that fulfils a consumer's need. This need may have not been acknowledged by other individuals or enterprises (Mariotti & Glackin, 2014:14). Not all SMMEs achieve anything new or different, nor do they all grow and become successful. Thus, although small businesses contribute to wealth creation and add value to the economy, not all SMMEs are necessarily entrepreneurial (Westhead, Wright & McElwee, 2011:18).

If one accepts that there are these differences between small businesses and entrepreneurial ventures, it calls for different methods of development and support. As observed by the Global Entrepreneurship Monitor (GEM) 2007 South African report, a "one system fits all" approach to entrepreneurship development or a blanket approach aimed at supporting all small businesses might not be the optimal choice in this changing environment (Maas & Herrington, 2007:8; Ligthelm,

2013:73). At the same time it should be noted that the age of the business also determines the different kinds of support and assistance required.

In a study conducted by Dockel and Ligthelm (2005:61) it was brought to the attention of policy makers that policy measures that merely provide a favourable climate for a small business and not for an entrepreneurial venture, are not effective. More specific and targeted policies that focus on prioritised growth factors and sub-sectors of the SMME sector are required. Nel and Rogerson (2005:20) support this finding and recommend that national policy needs to be more supportive of local developmental endeavours and not only encourage local economic development (LED) but also give it clearer direction and focus. A coherent set of interventions is suggested by Rogerson (2006:77) that should be implemented by the local, provincial and national government. In this way the challenges of the emergent SMME economy will be addressed, especially in the peripheral development spaces or local areas of South Africa.

Researchers commonly distinguish between the Small and Medium Enterprise (SME) policy and the new entrepreneurship policy (Storey, 2008:6; Niska & Vesala, 2013:521). As far as could be established, Stevenson and Lundström (2007:94) were the first researchers to suggest a distinction between an SME policy and an entrepreneurship policy in an effort to recognise the differences between small businesses and entrepreneurial ventures. Davis (2006:69) confirms that Stevenson and Lundström have probably conducted the most thorough review and comparison of entrepreneurship policies across countries. Their investigations have uncovered distinct and explicit policies to stimulate entrepreneurship in a number of countries. Policy makers and practitioners are seeking different approaches to promote and increase the supply of entrepreneurs. The driving force behind these efforts is economic benefits such as wealth creation, job generation and competition (Westhead *et al.*, 2011:3).

Davis (2006:69) notes that due to a lack of knowledge or even ignorance – where there are policy references to entrepreneurship – small business policy and entrepreneurship policy were simply equated with one another. Stevenson and Lundström (2007:106) highlight that the prevailing feature between the two policies is that a small business policy focuses on enterprises / businesses while an

entrepreneurship policy focuses on individuals rather than enterprises / businesses. The general understanding is that any policy directed toward SMEs is considered to be an SME policy and, as reported by De (2000:104) and Rogerson and Rogerson (2012:41), mainly entails a variety of programmes that favour SMEs to different extents and for different reasons. In Europe and in North America an entrepreneurship policy operating in the context of regional and local jurisdictions addresses a wider range of objectives, extending to poverty reduction and social justice. Furthermore, it includes a swathe of initiatives to support SMMEs at varying stages in their development by increasing the availability of finance, technical assistance and other support, to levels that commercial markets operating on their own will not deliver (Walburn, 2005:92).

A search of the SABINET database indicates that research has been conducted on small business policy (Dockel & Ligthelm, 2005:61; Rogerson, 2006:77; Peters & Naicker, 2013:13; Ligthelm, 2013:58; Gwija, Eresia-Eke & Iwu, 2014:62). **The purpose of this study** is to evaluate the national small business policy in South Africa. Recent adjustments and changes were made to the support services and structures in an effort to improve the performance of the small business sector. Furthermore, the aim, activities, objectives and outcomes associated with an entrepreneurship policy will be outlined.

The aim of this study is to determine whether there is a need to develop an entrepreneurship policy in South Africa to focus more exclusively on entrepreneurship and accommodating business ventures according to their age in terms of the number of years in operation. At the moment, it is only the small business policy that has to attend to the needs of both start-up and established businesses as small business and entrepreneurial ventures. In addition to this, the small business policies of three selected provinces (Gauteng, KwaZulu-Natal and Western Cape provinces) in South Africa will be explored to make comparisons as well as to identify similarities and differences between the provinces' policies. The aim is also to determine how the national small business policy is interpreted by the different metropolitan municipalities within these provinces to serve the local start-up and established business owners and entrepreneurs.

1.1.2 PROBLEM STATEMENT

At present, both start-up and established businesses are operating in South Africa with the possibility of either growing into a small business or entrepreneurial venture. The differences between the latter two types of ventures were not genuinely considered when small business support was initiated with the introduction of the National Small Business Act (Act No. 102 of 1996) (RSA, 1996) as amended. Only a small business was defined by the Department of Trade and Industry (**dti**) and not an entrepreneurial venture (**dti**, 2003:8).

The main purpose of this study is to evaluate the small business policy in South Africa that was formulated and implemented to assist both start-up and established business owners that can either turn into a small business or an entrepreneurial venture. Government has taken a myriad of measures since 1994 to ensure that small business development has become a key policy focus (**dti**, 2005b:iii; Gwija *et al.*, 2014:63). Therefore, it is relevant to examine the role and outcomes of government policies and practices (Ribeiro-Soriano & Galindo-Martin, 2012:861).

The characteristics of an entrepreneurship policy will be discussed in an attempt to recognise the differences between start-up and established businesses that can develop into small businesses and entrepreneurial ventures. Because there is only a small business policy in South Africa (Rogerson, 2004:765; **dti**, 2005b:iii; Molapo, Mears & Viljoen, 2008:27; Ligthelm, 2013:58; Peters & Naicker, 2013:16), it is necessary to determine whether there is a need for an entrepreneurship policy. Furthermore, once this need is determined, the nature of such a policy should be established that specifically accommodates the needs of both start-up and established businesses as prospective entrepreneurial ventures that are not addressed by the small business policy. This is of importance since an entrepreneurship policy has a much broader focus than a small business policy and intends to directly influence individuals' entrepreneurial activities in a country or region. The former policy embraces the education community, the media, and the general community in addition to regulatory, financial and business support institutions (Stevenson & Lundström, 2007:107; Tsai & Kuo, 2011:8343).

The small business policy is implemented nationally and the selected metropolitan municipalities of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) will be compared to evaluate how their needs are addressed by the small business policy. In turn, this should provide insights in determining the need for an entrepreneurship policy that specifically accommodates start-up and established businesses as entrepreneurial ventures.

1.1.3 NEEDS OF START-UP AND ESTABLISHED BUSINESS OWNERS

As mentioned previously, the needs of small businesses and entrepreneurial ventures are different (van Vuuren & Groenewald, 2007:269). For this reason, the individuals responsible for these endeavours – namely, the start-up and established business owners and entrepreneurs – will also have distinctive needs. Initially both parties' needs are similar when the business is started. However, the small business venture will tend to stabilise at a certain stage while the entrepreneurial venture will display high potential and move forward (Nieman, 2006:4; Mariotti & Glackin, 2014:33).

The diversity of common needs of both the start-up and established business owners and entrepreneurs include (Herrington & Maas, 2007:55; Bradford, 2007:95; Troskie, 2008:15; Kelley, Singer & Herrington, 2012:26; Neneh & van Zyl, 2012:138; Murdock, 2012:883):

- Access to financial support including access to capital and loans;
- Access to markets both domestic and international;
- Access to physical infrastructure;
- Access to information regarding the economy, market, government regulations and programmes;
- Skills training including business and entrepreneurial skills;
- Pre-start-up and start-up support; and
- Commercial, legal and financial infrastructure.

The difference in needs becomes more apparent when the start-up and established business owners and entrepreneurs introduce innovations, and pursue

the growth potential and strategic objectives of their entrepreneurial ventures (Wickham, 2006:41).

Table 1.1 highlights the unique differences between the needs of the small business and the entrepreneurial venture owners. These differences stem from aspects such as their financial needs, assistance with the markets they serve, customers' needs and relations, product / service innovativeness, managing business functions when expansion occurs and risk management (Herrington, Kew & Kew, 2010; Herrington, 2009:54; Kirby, 2003:211; Kuratko & Hodgetts, 2007:4; Nieman, 2006:190; Nieman & Nieuwenhuizen, 2009:277; Petty, Palich, Hoy & Longenecker, 2012:25; Barringer & Ireland, 2012:52).

Both the diversity of common needs and the different unique needs of the start-up and established businesses being operated by small business and entrepreneurial venture owners are referred to in the research objectives and hypotheses which are outlined in the next section.

1.1.4 RESEARCH OBJECTIVES

The research study will be guided by primary and secondary research objectives.

1.1.4.1 PRIMARY OBJECTIVE

The primary objective of the study is to:

Evaluate the small business policy in South Africa to determine the need for and nature of an entrepreneurship policy.

1.1.4.2 SECONDARY OBJECTIVES

The secondary objectives of the study are to:

- Determine whether the **age** of a business has an effect on the level of agreement with respect to the **objectives, outputs and outcomes** of the small business policy;
- Determine whether the **metropolitan municipality** (in which a business venture is located) has an effect on the level of agreement with respect to the **objectives, outputs and outcomes** of the small business policy;

Table 1.1: Differences between the needs of small business and entrepreneurial venture owners

Aspect	Needs of small business owners	Needs of entrepreneurial venture owners
Support	General support to maintain / manage the business	Individualistic support for the owner
Funds (finances)	Access to funds to cover the operating costs and expenses of the business	Access to funds to increase assets, grow and expand the existing venture
Markets	Assistance to serve current markets profitably	Assistance to find new markets not exploited before
Employees	Assistance to deal with a steady number of employees	Assistance to deal with a growing employee base, for example, by outsourcing the business function
Customers	Assistance to maintain the present customer profile	Assistance to manage the expanding customer base
Product / service	Assistance to maintain product / service competitiveness (gaining competitive advantage)	Assistance with new product / service innovation
Cash flow	Skills to manage the cash flow	Skills to deal with cash flow problems due to expansion
Planning and controlling	Skills to plan and control the business to be stable	Skills to plan and control the growth of the business
Risks	Skills to manage the low risks associated with a small business	Skills to manage high risks as the business grows
Customer needs	Skills to satisfy customer needs	Skills to be responsive to changing customer needs
Source: Own compilation.		

- Determine whether there exists a statistical significant difference between **start-up and established businesses** with regard to their views on the **impact** of the small business policy;
- Determine whether there exists a statistical significant difference between start-up and established businesses located in the selected **metropolitan municipalities** in the three provinces with regard to their views on the **impact** of the small business policy;
- Determine whether the **age** of a business has an effect on the level of importance of **established business owners' needs**;
- Determine whether the selected **metropolitan municipality** (in which the business venture is located) of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) has an effect on the level of importance of **established business owners' needs**;
- Determine whether the **age** of a business has an effect on the level of importance of **start-up business owners' needs**;
- Determine whether the selected **metropolitan municipality** (in which the business venture is located) of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) has an effect on the level of importance of **start-up business owners' needs**;
- Determine whether there exists a statistical significant difference with regard to the **timing of when business support is needed** within start-up businesses and established businesses;
- Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) **for the government**; and
- Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) **for the start-up / established business owners**.

1.1.5 HYPOTHESES

The following eleven primary hypotheses were formulated from the research objectives:

<p>Null hypothesis (H1₀):</p> <p>The age of a business does not have an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>	<p>Alternative hypothesis (H1_a):</p> <p>The age of a business has an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>
<p>Null hypothesis (H2₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>	<p>Alternative hypothesis (H2_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>
<p>Null hypothesis (H3₀):</p> <p>There exists no statistical significant difference between the start-up and established business owners with regard to their views on the impact of the small business policy that:</p> <p>1. Jobs have been created, resulting in a reduced unemployment rate; and</p> <p>2. Economic growth of the country has increased.</p>	<p>Alternative hypothesis (H3_a):</p> <p>There exists a statistical significant difference between start-up and established business owners with regard to their views on the impact of the small business policy that:</p> <p>1. Jobs have been created, resulting in a reduced unemployment rate; and</p> <p>2. Economic growth of the country has increased.</p>

<p>Null hypothesis (H4₀):</p> <p>There exists no statistical significant difference between the start-up businesses and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased. 	<p>Alternative hypothesis (H4_a):</p> <p>There exists a statistical significant difference between the start-up businesses and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased.
<p>Null hypothesis (H5₀):</p> <p>The age of a business does not have an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 5.(a) Business skills needed 5.(b) Entrepreneurial skills needed 5.(c) Business phase support 	<p>Alternative hypothesis (H5_a):</p> <p>The age of a business has an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 5.(a) Business skills needed 5.(b) Entrepreneurial skills needed 5.(c) Business phase support
<p>Null hypothesis (H6₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 6.(a) Business skills needed 6.(b) Entrepreneurial skills needed 6.(c) Business phase support 	<p>Alternative hypothesis (H6_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 6.(a) Business skills needed 6.(b) Entrepreneurial skills needed 6.(c) Business phase support

<p>Null hypothesis (H7₀):</p> <p>The age of a business does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>	<p>Alternative hypothesis (H7_a):</p> <p>The age of a business has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>
<p>Null hypothesis (H8₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>	<p>Alternative hypothesis (H8_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>
<p>Null hypothesis (H9₀):</p> <p>There exists no statistical significant difference with regard to the timing of when business support is needed:</p> <p>1. Within start-up businesses and</p> <p>2. Within established businesses.</p>	<p>Alternative hypothesis (H9_a):</p> <p>There exists a statistical significant difference with regard to the timing of when business support is needed:</p> <p>1. Within start-up businesses and</p> <p>2. Within established businesses.</p>
<p>Null hypothesis (H10₀):</p> <p>There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group</p>	<p>Alternative hypothesis (H10_a):</p> <p>There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group</p>
<p>Null hypothesis (H11₀):</p> <p>There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group</p>	<p>Alternative hypothesis (H11_a):</p> <p>There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group</p>

1.1.6 IMPORTANCE AND BENEFITS OF THE STUDY

From a theoretical perspective, the study will make a valuable contribution to the existing body of knowledge on small business, small business policy and entrepreneurship. Unlike previous studies which tended to focus only on small business policies (Gwija *et al.*, 2014:62; Ligthelm, 2013:58; Peters & Naicker, 2013:16), the proposed study will provide an additional view on entrepreneurship policy. Minniti (2008:779) emphasises the importance of government policy for entrepreneurship since it shapes the institutional environment in which entrepreneurial decisions have to be made.

The study aims to examine the small business policy's different components and the current implementation thereof in emerging economies that are similar to South Africa. According to the GEM 2009 report (Herrington *et al.*, 2010:34), South Africa's Total early-stage Entrepreneurial Activity (TEA) rate was 5.9 %. The country's international cohorts performed three to four times better over the same time period. These cohorts with their TEA rates encompass Argentina (14.7 %), Brazil (15.3 %), Chile (14.6 %) and China (18.8 %). In 2010, South Africa's TEA rate was 8.9 % and in 2011 it was 9.1 % which is far below the average of similar economies (Simrie, Herrington, Kew & Turton, 2012:4). South Africa's TEA rate decreased from 9.1 % in 2011 to 7.3 % in 2012 and this is still substantially below the average of efficiency-driven countries (14.3 %) such as Brazil and Chile (Turton & Herrington, 2013:7). Some of these countries that were mentioned will be explored in Chapters 2 and 3 to determine how their small business policies contributed to their TEA rates as well as whether an entrepreneurship policy also had an influence. Bruton, Ahlstrom and Obloj (2008:2) highlighted that there is a strong need to develop an understanding of entrepreneurship in emerging economies because what is known from the world's developed economies may not readily apply to entrepreneurship in emerging economies. There is also only limited research directly on these environments (Tende, 2014:110). Therefore, in this regard, the study will be beneficial for both the national and international audience.

The study will make a contribution by investigating and comparing the selected metropolitan municipalities' policy affecting start-up and established businesses operating as small business and entrepreneurial ventures.

There are different ways of promoting entrepreneurship and interventions should continually be evaluated and adapted to stay in balance with environmental changes (Herrington, 2008:51; Peters & Naicker, 2013:17). From a practical perspective, the findings should assist both national and international policy makers to identify specific interventions that will address the different needs of both start-up and established businesses as small business and entrepreneurial ventures.

The remainder of this chapter provides a list of definitions of the key terms used in the study. This is followed by a literature review on small business policy and entrepreneurship policy (Lundström & Stevenson, 2005:53; Ligthelm, 2013:62; Niska & Vesala, 2013:528). Finally, an outline of the study is provided.

1.2 DEFINITION OF KEY TERMS

This study involves a number of key concepts, namely: entrepreneur, entrepreneurship, start-up business, established business, small business, entrepreneurial venture, policy, entrepreneurship policy and small business policy.

Petty *et al.* (2012:6) emphasise

... it is important to note that, despite many similarities, the terms *entrepreneur* and *small business owner* are not synonymous. Some entrepreneurial endeavors, for example, begin as small businesses but quickly grow into large businesses. They may still be entrepreneurial.

Herrington (2008:50) agrees that entrepreneurship is a futuristic, creative and positive activity. Therefore the meaning of these terms needs to be clarified.

Co *et al.* (2006:9) confirm that entrepreneurship and small business are closely related. Often the term “entrepreneur” is also used to refer to a “small business owner”, even though not all entrepreneurs are small business owners and, likewise, not all small business owners are entrepreneurs.

Small business owners are defined by Nieman (2006:4) as “individuals who establish and manage their businesses for the principal purposes of furthering personal goals and ensuring security.” By contrast, entrepreneurs usually aim for high potential ventures. However small they start, they revel in parenting rapidly growing, innovative businesses. Whether they succeed or not, few entrepreneurs would settle for stagnation (Rwigema & Venter, 2004:7; Ligthelm, 2010:150; Spinelli & Adams, 2012:35). If the entrepreneur becomes comfortable and satisfied with the level of growth within the enterprises, he or she stops being an entrepreneur and becomes a small business manager, who is risk-, change- and innovation-averse (Nieuwenhuizen, 2007:3).

According to Wickham (2006:39), three factors distinguish entrepreneurial ventures from small businesses: innovation, growth potential and strategic objectives. Small businesses and entrepreneurial ventures pursue and create new opportunities differently. The ambitions of their founders and managers are fulfilled in different ways. Economic policy makers are, therefore, presented with different challenges in attempts to provide support and address their needs.

In the GEM 2009 report (Herrington *et al.*, 2010:10) pre-start-up and start-up businesses are distinguished from established businesses by focusing on the number of years the business has been in operation and its ability to make payments to its owners.

From the above statements it can be concluded that the different definitions of the key terms may lead to misinterpretations and ambiguity. It is for this reason that the manner in which these key terms are defined for the purpose of this study, is considered in the sections that follow.

1.2.1 ENTREPRENEUR

Lists of definitions are available for the key term “entrepreneur” because there is no clear consensus on the definition for such an individual. Table 1.2 illustrates definitions of what and who an entrepreneur is.

Table 1.2: Definitions of “entrepreneur”

Definition	Reference
The entrepreneur is described as someone who carries out new combinations.	Schumpeter, 1934:75
The entrepreneur’s role can be drawn in many forms and tends to appear different from different perspectives. For example, to an economist an entrepreneur is one who brings resources, labour, materials and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and new order.	Vesper, 1980:2
The entrepreneur is a catalyst for economic change that uses purposeful searching, careful planning, and sound judgement when carrying out the entrepreneurial process. Uniquely optimistic and committed, the entrepreneur works creatively to establish new resources or endow old ones with a new capacity, all for the purpose of creating wealth.	Kuratko and Hodgetts, 2007:47
The entrepreneur is a creator, innovator and leader who gives back to society, as a philanthropist, director, and trustee, and who, more than any others, changes how people live, work, learn, play and lead.	Timmons and Spinelli, 2009:28
An entrepreneur is a person who sees an opportunity in the market, gathers resources and creates and grows a business venture to meet these needs. He or she bears the risk of the venture and is rewarded with profit if it succeeds.	Nieman and Nieuwenhuizen, 2009:9
The entrepreneur is an individual who takes initiative to bundle resources in innovative ways and is willing to bear the risk and/or uncertainty to act.	Hisrich, Peters and Shepherd, 2010:6
The entrepreneur is a creator, innovator and leader who gives back to society, as a philanthropist, director, and trustee, and who, more than any others, changes how people live, work, learn, play and lead. The entrepreneur also creates new technologies, products, processes and services. He or she creates value with high-potential, high-growth business ventures.	Spinelli and Adams, 2012:21
An entrepreneur is a person who sees an opportunity in the market, gathers resources, and creates and grows a business venture to meet these needs. He or she bears the risk of the venture and is rewarded with profit if it succeeds.	Nieman and Nieuwenhuizen, 2014:10
Source: Own compilation.	

This study employs the definition of an “entrepreneur” of the Chair in Entrepreneurship, Department of Business Management, at the University of Pretoria. An “entrepreneur” is accordingly defined as:

... a person who sees an opportunity in the market, gathers resources and creates and grows a business venture to satisfy these needs. He/she takes the risk of the venture and is rewarded with profit if it succeeds (Nieman, 2013:7).

1.2.2 ENTREPRENEURSHIP

A myriad of definitions is available to describe “entrepreneurship”. The field of entrepreneurship is a multi-disciplinary concept according to Herrington (2008:50) and can make the application and implementation thereof difficult. Definitions of entrepreneurship are presented in Table 1.3.

For the purpose of this study, the following definition of entrepreneurship of the Chair in Entrepreneurship, Department of Business Management, at the University of Pretoria will be adopted: “Entrepreneurship is the emergence and growth of new businesses” (Nieman, 2013:7).

Wickham (2006:41) argues that rather than trying to draw a distinction between a small business and an entrepreneurial venture manager, it is more valuable to differentiate what they manage, that is, between the small business and the entrepreneurial venture. The following section focuses on these differences.

1.2.3 START-UP BUSINESS

An individual becomes a “start-up business owner” once he or she commences operations within a new business venture (Botha, 2014:25). A start-up business venture therefore refers to a new business. It has been operated and managed by the start-up business owner and has paid salaries, wages or any other payments to its owners for more than three (3) months, but not more than 42 months or 3.5 years (Herrington *et al.*, 2010:10; Turton & Herrington, 2013:15). Consequently, a start-up business is less than 3.5 years old.

Table 1.3: Definitions of “entrepreneurship”

Definition	Reference
Entrepreneurship is the creation of an innovative economic organisation (or network of organisations) for the purpose of gain or growth under conditions of risk and uncertainty.	Dollinger, 1999:19
“...entrepreneurship is the process of conceptualising, organising, launching and – through innovation – nurturing a business opportunity into a potentially high growth venture in a complex, unstable environment.”	Rwigema and Venter, 2004:6
Entrepreneurship is a process of innovation and new-venture creation through four major dimensions – individual, organisational, environmental, process – that is aided by collaborative networks in government, education and institutions. All of the macro and micro positions of entrepreneurial thought need to be considered while recognising and seizing opportunities that can be converted into marketable ideas capable of competing for implementation in today’s economy.	Kuratko and Hodgetts, 2007:47
Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced for the purpose of value creation and capture.	Timmons and Spinelli, 2009:101
Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort; assuming the accompanying financial, psychic, and social risks and uncertainties; and receiving the resultant rewards of monetary and personal satisfaction.	Hisrich <i>et al.</i> , 2010:6
Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control.	Barringer and Ireland, 2012:32
Entrepreneurship can be defined as a broader, holistic way of thinking, reasoning, and acting that is opportunity obsessed and leadership balanced.	Spinelli and Adams, 2012:103
Entrepreneurship is the emergence and growth of new businesses. Entrepreneurship is also the process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market.	Nieman and Nieuwenhuizen, 2014:9
Source: Own compilation.	

1.2.4 ESTABLISHED BUSINESS

An “established business” is operated and managed by an established business owner who is in a position to pay salaries, wages, or any other payments to the owners for more than 42 months or 3.5 years (Herrington *et al.*, 2010:10; Turton & Herrington, 2013:15). Consequently, an established business is older than 3.5 years.

1.2.5 ENTREPRENEURIAL VENTURE

“Entrepreneurial ventures” are defined as: “... businesses where the principal objectives are profitability and growth.” These ventures mostly create employment. In contrast, the objectives of small businesses seldom go beyond survival, sales and profit targets (Nieman, 2006:7). Three factors distinguish entrepreneurial ventures from small businesses – namely, innovation, growth potential and a broad vision (Rwigema & Venter, 2004:7; Nieman & Nieuwenhuizen, 2009:10). Over time, growth has become the distinguishing factor between a small business and an entrepreneurial venture (Kruger, 2004:24). It is not clear what motivates growth other than the personal attitudes, behaviour and drive of the founding entrepreneur and, as appropriate, his/her team (Kirby, 2003:43).

The decision to start an entrepreneurial venture consists of several sequential steps as stated by Hisrich *et al.* (2010:57) – namely, the decision:

1. to leave a present career or lifestyle,
2. that an entrepreneurial venture is desirable, and
3. that both external and internal factors make new venture creation possible.

According to the Chair in Entrepreneurship, Department of Business Management, at the University of Pretoria, an “entrepreneurial venture” can be defined as “one that constantly seeks growth, innovation and has strategic objectives” (Nieman, 2013:8). For the purpose of the study, this definition for an entrepreneurial venture will be employed.

1.2.6 SMALL BUSINESS

Scarborough and Zimmerer (2003:21) state that there is no universal definition of a “small business”, yet a common delineation of a small business is one that employs fewer than 100 people.

Petty *et al.* (2012:6) also mention that there have been many efforts to define the term “small business”, using criteria such as number of employees, sales volume, and value of assets. Yet, there is no generally accepted or universally agreed-on definition. Size standards are basically arbitrary, adopted to serve a particular purpose.

Possible criteria for defining a small business are:

1. Financing for the business is supplied by one individual or only a few individuals.
2. Except for its marketing function, the business' operations are geographically localised.
3. Compared to the biggest firms in the industry, the business is small.
4. The number of employees in the business is usually fewer than 100.

The National Small Business Act (Act No. 102 of 1996) (as amended) (**dti**, 2003:8) offers an official definition of small business in South Africa. It consists of qualitative and quantitative criteria:

In terms of the qualitative criteria, which relate to the ownership structure of the business: it must be a separate and distinct business entity; it cannot be part of a group of companies; it must include subsidiaries and branches, if applicable, when measuring the size; it should be managed by its owners; it can be a natural person, sole proprietorship, partnership or a legal person such as a close corporation or company.

The quantitative criteria are presented in the Schedule to the Act and classify businesses into micro, very small, small and medium using the following criteria in respect of the different sectors of the economy: total full-time paid employees; total annual turnover; and total gross asset value (excluding fixed property).

Therefore, a useful definition of “small business” in South Africa which is classified according to the National Small Business Act (Act No. 102 of 1996) (as amended) is (**dti**, 2003:8):

Small business in a South African context can be defined in a way that combines economic and statistical characteristics. A small business is one that

- Is independently owned, managed and controlled;
- Is not dominant in its field of operation and;
- Employs fewer than 50 people, with a turnover not exceeding R5 million per year.

For the purpose of this study, the abovementioned definition of a small business will be used.

Table 1.4 illustrates the differences between typical small businesses and entrepreneurial ventures by referring to their characteristics.

Table 1.4: Differences between typical small businesses and entrepreneurial ventures

Characteristics of many small businesses	Characteristics of entrepreneurial ventures
Stable	Unstable
Status quo oriented	Change oriented
Not aggressive	More aggressive
Socially oriented	Commercially oriented
Interaction between personal and professional activities	Clear separation of personal and professional activities
Involvement of family members	Involvement of professionals
More informal	More formal
Tactical	Strategic
Present oriented	Future oriented
Preference for low-risk / low-return activities	Preference for high-risk / high-return activities
Internally oriented	Externally oriented
Steady number of employees	Growing employee base with high potential for conflicts
Level resource needs	Expanding resource needs with ongoing cash shortages
Resource driven	Opportunity driven
Concerned with personal profit, income substitution	Concerned with growth and appreciation of business value
Source: Morris (1998:3).	

From Table 1.4 it seems easy to differentiate between these two types of ventures. However, Wickham (2006:42) asserts that this distinction is not clear cut because not all entrepreneurial ventures will necessarily show an obvious innovation, clear growth potential or formally articulated strategic objectives and some small businesses may demonstrate one or two of these characteristics. Yet, in combination they do add up to distinguish the key character of an entrepreneurial venture, that is, a business that makes significant changes to the world.

1.2.7 POLICY

A “policy” can be defined as a plan of action agreed upon or chosen by a political party or organisation. It is a principle that one believes in that influences how one behaves (Hornby, 2000:899). Policy can also refer to a programme of action to give effect to specific goals and objectives aimed at changing (and preferably improving) an existing unsatisfactory situation (Cloete, 2009:294). According to Ile, Eresia-Eke and Allen-Ile (2012:1) public policies can be described as position statements comprising a series of decisions, which need to be communicated, in order to provide guidance that influences practice and enables the attainment of predetermined goals. Alternatively, it is a set of guidelines and decisions of government to attain a specific vision and/or changes across spheres or in a particular sphere or sector of government. Policy evaluation provides the opportunity to go beyond merely reporting to understanding why phenomena take place. It acknowledges the cause and effect between inputs, processes, outputs, outcomes, and impacts within an explicit conceptual/theoretical framework. Policy evaluation is conducted to check the effects of policies in terms of its transparency, necessity, efficiency, appropriateness and validity (Engela & Ajam, 2010:26).

Niska and Vesala (2013:528) assert that start-up and established business owners need policy measures because they themselves do not recognise the weaknesses or potential opportunities in their business ventures. The policy makers’ duty is to recognise whether start-up and established business owners need support services, and then to provide the necessary services. Governments need to stimulate entrepreneurial participation and investment (Tsai & Kuo, 2011:8343).

1.2.8 SMALL BUSINESS POLICY

A contemporary policy for small business development as described by Boter, Hjalmarsson and Lundström (1999:15) is one that should be based on the problems encountered by SMEs and on encouraging individuals with viable business ideas to become entrepreneurs. According to the general understanding, any policy directed toward SMEs is considered to be an SME policy. This policy can consist of an array of programmes that favour SMEs to diverse extents and for different reasons (De, 2000:104; Storey, 2008:7). The goal of the SME policy is to maintain and grow existing SMEs by means of funding, training and advisory services (Niska & Vesala, 2013:524).

1.2.9 ENTREPRENEURSHIP POLICY

“Entrepreneurship policy” has a much broader focus than a traditional business policy.

It encompasses those measures that intend to directly influence the level of entrepreneurial activity in a country or region and the consequences of that action for society (Stevenson & Lundström, 2007:107; Tsai & Kuo, 2011:8344).

As stated by the United Nations Conference on Trade and Development (UNCTAD) an entrepreneurship policy aims at promoting the emergence of new entrepreneurs and facilitating new business start-ups in developing countries and transition economies (UNCTAD, 2012:1). This is accomplished with policy measures taken to stimulate entrepreneurship aimed at the pre-start-up, the start-up and post-start-up phases of the entrepreneurial process (Stevenson & Lundström, 2007:105; Ligthelm, 2013:62). Motivation, opportunity and skills are addressed with the primary objective of encouraging more people in the population to consider entrepreneurship as an option. They will start at the nascent stage of taking steps to get started and to proceed into the infancy and early stages of a business. The re-emergence of entrepreneurship and the shift from a market economy to an entrepreneurial economy accelerated due to increased globalisation. In turn, this has led to the development of new entrepreneurship policies implemented at all levels of government (Grimm & Audretsch, 2005:4; Audretsch, 2009:253).

The following comparison in Table 1.5 can be made between the features of a small business policy and an entrepreneurship policy:

Table 1.5: A comparison of features of small business versus entrepreneurship policy

Feature	Small business policy	Entrepreneurship policy
Objective	Firm growth, productivity	Motivate more new entrepreneurs
Target	Existing firms Businesses (entities)	Nascent entrepreneurs/new business starters Individuals (people)
Targeting	'Pick winners' (that is, growth sectors, firms)	General population / subsets (that is, women, youth)
Client group	Easy to identify 'existing'	Difficult to identify 'nascent'
Levers	Direct financial incentives (tax credits, loans, guarantees)	Non-financial, business support (networks, education, counselling)
Focus	Favourable business environment (that is, tax regime, reduce red-tape)	Entrepreneurial culture/climate (that is, promote entrepreneurship)
Delivery system	Well-established	Lots of new role players (need orientation)
Approach	Generally passive	Pro-active outreach
Results orientation	More immediate (results in less than four years)	More long-term (results can take longer)
Consultation	SME associations	Forums do not generally exist
Source : Lundström and Stevenson (2005:53).		

The comparison in Table 1.5 points out the three major areas of differences between the two types of policies (Lundström & Stevenson, 2005:51):

- the focus on individuals versus firms;
- the focus on pre start-up versus post start-up support (entrepreneurship development versus business development); and
- a broad versus narrow definition of which institutional structures constitute the 'support environment'.

In the next section, the literature on the small business and entrepreneurship policies will be reviewed.

1.3 LITERATURE REVIEW

The literature review consists of a discussion on policies in general, the framework and features of a small business policy and an entrepreneurship policy. Finally, the small business policy and the value of an entrepreneurship policy in South Africa will be focused on.

1.3.1 SMALL BUSINESS AND ENTREPRENEURSHIP POLICIES

It is not only the individual who determines whether he or she will be a successful start-up or established business owner; it is the country and its policies under which the individual must work that also matter and, ultimately, have an impact on the end result (Litan, Strom & Freilich, 2006:64). Policy makers could benefit from tailoring approaches to the characteristics of their country in an effort to spur interest in entrepreneurship (Begley, Tan & Schoch, 2005:51; Ijeoma & Matarirano, 2011:863).

1.3.1.1 POLICIES IN GENERAL

The mere existence of good policies, however, does not automatically result in successful implementation. Problems with policies often lie in the implementation thereof which could result in forming a policy gap (Brynard, 2007:357). In addition to this, policies are sometimes set to achieve ambitious targets which ultimately fall short of their desired outcomes. This could be due to a lack of reliable data which often hampers the policy maker's ability to devise clear policy goals with well defined implementation plans and evaluation mechanisms. The smooth transition from policy to practice will always remain a challenge. The concern is the extent of the gap between policy and practice. Furthermore, a policy cannot be formulated without a thorough understanding of the implications of the environment's influence on the policy.

Findings from Schofield (2001:259) and Storey (2008:11) indicate that there appears to be a very real gap in the knowledge about implementation studies and the processes by which stakeholders actually learn to implement policy. There needs to be an understanding of the competencies and capacity issues of individuals such as government officials at national, provincial and local level in

dealing with new policy requirements. Implementation studies have the potential to concentrate upon the real problems of how ordinary public services managers operationalise often ambiguous policy.

1.3.1.2 SMALL BUSINESS POLICY

Thorpe, Holt, Macpherson and Pittaway (2005:257) conducted a systematic review of the literature on how SMEs use and acquire knowledge. Their findings conclude that, from a practical perspective, policies encouraging entrepreneurship and economic regeneration need to be more flexible and sensitive to the often complex contexts within which knowledge is used by SMEs. This flexible approach needs to be sensitive to the entrepreneur's and manager's capabilities, experience and identity, and also to the specific context and activity in which the SME is embedded and engaged. Understanding the aims, objectives and motivations of entrepreneurs and managers is important, since they have a significant influence on the firm's activities.

Governments around the world adopt similar frameworks for policy direction. Specifically, in their SME policy agendas, they prioritise the following (Lundström & Stevenson, 2005:53):

- improving the business environment for SMEs (reducing “red tape” and paper burden);
- improving the financial environment (access to capital or small business financing);
- improving SME access to information (provision of business, economic, market, government regulatory and programme information);
- facilitating SME access to markets, both domestic and international (tariff reductions, export subsidies, market information);
- improving the competitiveness of small firms (skills, training, expertise, strategic consulting); and
- fostering technology adoption and research and development activity at the small firm level (technology transfer, adoption of technology, and innovation).

1.3.1.3 ENTREPRENEURSHIP POLICY

The role that entrepreneurship plays in the economy has changed dramatically since the 1970s. The increased importance of entrepreneurship is clearly recognised by politicians and policy makers (van Stel, Storey & Thurik, 2007:172; Tsai & Kuo, 2011:8343).

Acs and Szerb (2006:112) note that “an entrepreneurship policy is different from traditional business policy that tried to constrain the corporation.” They highlight that a new policy approach is indeed emerging that focuses on enabling the creation and commercialisation of knowledge. The policy also differs from a small business policy that tried to confront the cost disadvantage of a small firm due to scale economies. Entrepreneurship policy has a much broader focus (UNCTAD, 2012:1). According to Lundström and Stevenson (2005:51) and Audretsch, Grilo and Thurik (2007:2) it encompasses those measures that intend to directly influence the level of entrepreneurial activity in a country or region and the consequences of that action for society. Walburn (2005:92) agrees that the policy addresses a wider range of objectives extending to poverty reduction and social justice.

Focusing on the United States’ (US) economy, the definition of “entrepreneurship policy” according to Hemphill (2005:472),

... encompasses activities at several levels of government, from local to national (and perhaps beyond). It bears on low-technology economic activity as well as high-technology. It includes governance capacities more familiar under other headings, ranging from regulatory policy to economic development partnerships to poverty alleviation, along with some capacities that are new.

Furthermore, Acs and Szerb (2006:110-111) opine that a range of policies exists in an entrepreneurial economy: policies with effects on individual decisions to become an entrepreneur, national policies that affect the overall entrepreneurial environment, policies directed mainly at international commercial activity and regional policies. Policy makers across all levels of government should not only have a strong interest in promoting entrepreneurship directly but should also consider the impact of their decisions indirectly on a range of issues related to entrepreneurial activity.

The policy priorities of an entrepreneurship policy (Lundström & Stevenson, 2005:53) are:

- Reduce procedural, regulatory and taxation barriers to business entry;
- Facilitate access to micro-loans, seed capital and other start-up financing;
- Improve access to start-up information and advice, entrepreneurial know-how;
- Facilitate networking activities and exchanges to promote peer learning, partnering and dialogue;
- Increase opportunities for people to learn the entrepreneurial process and skills for starting a business (for example, education, training); enhance the quality of start-up support services; and
- Create awareness of entrepreneurship as a viable option (for example, profile role models, influence public attitudes).

Apart from Canada, which adopted a National Policy on Entrepreneurship in 1989, the other countries which had formally stated entrepreneurship policies and programme measures by as early as 2001 were the Netherlands and Finland. Otherwise, in many countries (such as Australia, Sweden and Ireland) statements of entrepreneurship policy form part of the SME policy agenda in government documents (Lundström & Stevenson, 2001:137). Moreover, other early adopters of an entrepreneurship policy (such as Scotland) first began to develop customised programmes for high-growth entrepreneurship in the early 1990s. In countries such as Hungary and Italy, such policies are much more recent and less well developed (Mason & Brown, 2013:213). Since 2004 the United Kingdom (UK) and Denmark adopted a holistic entrepreneurship policy (Stevenson & Lundström, 2007:114). According to Schøtt and Jensen (2008:198) elaborate entrepreneurial policies have been implemented by national governments across North America, Europe and East Asia which reflect the politicians' beliefs in the economic benefits that can be accumulated from initiating national entrepreneurship policies and programmes. In the US, entrepreneurship policy has emerged to adequately maintain economic growth and employment in globally linked markets (Audretsch, 2009:252). Tsai and Kuo (2011:8347) report that Taiwan's Small and Medium Enterprise Administration (SMEA) has focused its measures on entrepreneurship policy that fosters SMEs as well as builds an entrepreneurial environment. In Costa Rica the government has developed a national entrepreneurship policy (2010 to 2014) as an overall strategy to entrepreneurship development (UNCTAD,

2012:9). From these different statements it can be deduced that the adoption of entrepreneurship policy is growing more popular among developed countries than developing countries.

1.3.2 SMALL BUSINESS POLICY AND THE VALUE OF AN ENTREPRENEURSHIP POLICY IN SOUTH AFRICA

The next section discusses briefly the small business policy in South Africa as well as the value of an entrepreneurship policy for the country.

1.3.2.1 SMALL BUSINESS POLICY IN SOUTH AFRICA

South Africa's government acknowledges that the promotion of small business and entrepreneurship remains an important priority (dti, 2005b:iii; Ladzani, Nieuwenhuizen & Nhlapo, 2011:1459). The small business policy framework in South Africa is driven mostly by the National Small Business Act (Act No. 102 of 1996) (RSA, 1996) as amended, which has as its objective the stimulation of growth and development of the South African SMME sector (Rwigema & Venter, 2004:382; Ligthelm, 2013:58; Gwija *et al.*, 2014:61). Additional support is provided to small businesses through a number of institutions and incentives.

In the 1990s South Africa was predominantly at the stage of policy formulation. The second term of the democratic government has largely shifted the focus to policy implementation. With the dawning of the implementation phase of policy, more policy gaps have manifested themselves. The success of the SMME policy framework, according to Rwigema and Venter (2004:382), and Peters and Naicker (2013:20) has been hampered by a lack of awareness of the various initiatives, poor service levels, as well as the information and transaction costs of accessing support. The need for stakeholder and public involvement in the design and formulation of policies is but one of many possible gaps. These gaps vary and although no single gap could be identified, specific policy gaps can be highlighted in some policy domains such as education and language. This article argues that to understand policy-making gaps in South Africa, the analysis has to focus on the domain, context and interactive complexities of policies and policy actors (Brynard, 2007:363). In view of this, the focus recently has included a greater emphasis on

the other support structures required by the SMME sector and the necessity of directing initiatives toward skills development (Bradford, 2007:98). Since 1994, much of the government of South Africa's interest in business development has been on the barriers to business finance for previously disadvantaged businesspeople.

An effective SMME policy can be developed only if the constraints and issues that are faced by firms in this sector are clearly understood. Bradford (2007:113) asserts that small businesses in South Africa value skills that are related to keeping and interpreting financial records, product promotion, and acquiring financing. Troskie (2008:15) notes that as a developing economy, "red tape" should be kept to a minimum without compromising the necessary checks and balances for company formations and company administration.

As previously mentioned by van Vuuren and Groenewald (2007:269) policy makers at the different government levels should take note of the different needs of start-up and established businesses operating as small businesses and entrepreneurial ventures. This is a difficult task in itself because a focus on entrepreneurship, narrowly defined in terms of new venture creation and/or growth in existing businesses, has grown out of small business research, together with the fact that the boundary between entrepreneurship and small business is seen as a particularly fuzzy one, even by many UK researchers as reported by Blackburn and Smallbone (2008:268).

Rogerson (2006:77) predicted that the second decade of democracy will be a major test for South Africa's continued commitment to the state-led delivery of SMME support services. Government needs to acknowledge the different needs of start-up and established businesses that can turn into small business and entrepreneurial ventures and formulate policies accordingly. Almost a decade ago, Phago (2005:133) reported that radical local economic restructuring and social inclusion through networks and partnerships are required to support economic development as well as to improve the local business climate. This statement is still valid and applicable today (Kohler, 2012:9; Cutifani, 2012:5).

1.3.2.2 THE VALUE OF AN ENTREPRENEURSHIP POLICY IN SOUTH AFRICA

Herrington (2008:51) asserts:

entrepreneurship is different from a conventional business because the latter focuses mainly on maintaining a fixed quality of life whereas entrepreneurship is a risky enterprise and calls for the ability to work with ambiguity.

From this the conclusion can be drawn that the focal point of the conventional business owner and the entrepreneur is different. The conventional business owner's centre of attention is personal goals and stability, whereas the entrepreneur strives to be innovative and is motivated to achieve. For this reason, promoting entrepreneurship should not be similar to promoting a conventional business. If these differences between these two types of businesses are acknowledged, it single-handedly beckons for different approaches to their development.

For South Africa, more small enterprises that are growing, means more jobs, more products and services being offered, and a better life for all. The Small Enterprise Development Agency (SEDA) aims to support the growth of small enterprises in South Africa, to help create a better regulatory environment for small enterprise, and to encourage a culture of entrepreneurship. SEDA focuses primarily on potential entrepreneurs who want to start a business, as well as on micro and very small enterprises. However, SMEs as well as existing established businesses are not exposed to the same amount of attention and support (SEDA, 2012:56).

It is individuals who are involved and create new businesses and develop existing ones. Lundström and Stevenson (2001:14) and Tsai and Kuo (2011:8343) are in agreement that the right environment and circumstances needs to be created to motivate and stimulate individuals to become entrepreneurs. They have to be enabled to acquire the appropriate skills and learning opportunities and be surrounded with opportunity-driven support.

South Africa is in dire need of more new businesses, more growing businesses as well as more strong regions than just the current three (Gauteng, Western Cape and KwaZulu-Natal). With better preparation and increased exposure to the

entrepreneurial process prior to starting an entrepreneurial career, new business owners would be more likely to realise the full potential of their businesses. Besides this, more tailored and individualised support during the vulnerable years is considered to be vital for survival. Therefore, being more informed, knowledgeable and competent can make a huge difference to the performance of start-up businesses and later as established businesses. It will also determine whether a business turns into a small business or entrepreneurial venture. It ultimately determines their success or failure.

From a policy perspective, Ligthelm (2013:62) contends that entrepreneurial actions are particularly relevant at the pre-start-up stage which requires substantial detail to matters such as entrepreneurship promotion and education. Of equal importance and relevance are the measures to support people as they delve into entrepreneurship and start new businesses. The post start-up stage (start-up up to 3.5 years) requires more attention to promoting growth possibilities, development of business management / growth skills and measures to level the playing field (Stevenson & Lundström, 2007:105). Each stage of the entrepreneurial process is considered to be important and attention should be paid to both aspects of creating an entrepreneurial climate and a favourable business climate. This implies a shift from SME development to entrepreneurship development.

Before progressive programmes and policies such as an entrepreneurship policy can be formulated in South Africa, Herrington (2008:50), and Luiz and Mariotti (2011:62) propose that entrepreneurship should be contemplated from different angles which call for a more holistic approach to entrepreneurship and policy.

1.4 DELIMITATIONS

The study was limited to the selected metropolitan municipalities of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria). The focus was specifically on the start-up and established business owners in these municipalities.

1.5 RESEARCH DESIGN AND METHODOLOGY

The research design is based on this study's research problem, objectives and hypotheses. It is a master plan that specifies the methods and procedures for collecting and analysing the needed information and provides a framework or plan of action for the research (Zikmund, Babin, Carr & Griffin, 2013:64; Bryman, 2012:46).

1.5.1 DESCRIPTION OF OVERALL RESEARCH DESIGN

The overall research design is described in the following sections.

1.5.1.1 RESEARCH INSTRUMENT

A survey is the most appropriate strategy given the research study's problem and research objectives. The **aim** is to generate findings that are representative of a large population of start-up and established business owners operating small business and entrepreneurial ventures at local government level.

1.5.1.2 RESEARCH DESCRIPTORS

This is an empirical research study because the researcher collected new data from potential research participants. Basic (pure/fundamental research) was undertaken because the aim is not to directly solve a "real-life" organisational problem but to improve understanding of entrepreneurship and small business policies within the South African context. The **purpose** is to find new knowledge regarding the influence of the aforementioned policies on small business performance and entrepreneurial activities. Therefore, research objectives are pre-determined in line with the available time and resources at hand.

Primary data were collected for the specific purpose of the research study to add value to the government. Existing relevant **secondary data** were also reviewed. This is a cross-sectional and not a longitudinal study because the particular phenomena of policies are examined at this particular time. The survey strategy tends to be used for descriptive research to describe characteristics of situations, individuals and answer questions such as: "**What?**", "**Where?**", "**How?**", "**How**

much?” and **“How many?”** Simple ex post-facto design may be useful in this research study to show the possible effects of current policy applicable to start-up and established business owners, prior to the investigation. Mixed methods research is utilised. Both quantitative and qualitative data collection techniques and analysis procedures are used in the research design.

1.5.2 SAMPLING

Researchers rarely, if ever, have access to every member of a population. Therefore, data are collected from a small subset of the population known as a “sample” (Field, 2009:34).

1.5.2.1 TARGET POPULATION

The target population is discussed according to the following four questions: **“Who?”**, the **“Doing what?”**, the **“Located where?”** and **“When?”** as outlined below.

Who?	The primary target population is start-up and established business owners. The secondary target population is government officials.
Doing what?	<p>The primary target population includes start-up and established business owners operating small business and entrepreneurial ventures that were started, managed and grown by their owners.</p> <p>In the GEM 2009 report (Herrington <i>et al.</i>, 2010:10) pre-start-up and start-up businesses are distinguished from established businesses by focusing on the number of years the business has been in operation. As indicated by Turton and Herrington (2013:15) and Robertson (2012:8), pre-start-up and start-up businesses are less than 3.5 years old and established businesses are older than 3.5 years.</p> <p>For this study, pre-start-up, start-up and established businesses were targeted whether or not they have been exposed to the support initiatives of the government.</p> <p>Table 1.3 pointed out the different characteristics between the small businesses and entrepreneurial ventures. This will also be used as a guideline to further distinguish between these ventures. The secondary target population includes the local government officials, councillors and small business practitioners.</p>
Located where?	The start-up and established business owners that are operating in selected metropolitan municipalities of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) in South Africa; and the mentioned local government officials should also be situated in these selected metropolitan municipalities.
When?	01 November 2011 until 30 April 2012.

1.5.2.2 UNITS OF ANALYSIS

There are nine metropolitan municipalities in South Africa (Burger, 2008:1). The study specifically investigated start-up and established businesses located in the selected metropolitan municipalities of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria). The reasons for selecting these five municipalities are that Gauteng is still the major contributor to entrepreneurship, followed by the Western Cape and KwaZulu-Natal. These areas are considered to be the growth poles for the South African economy and therefore provide more opportunities to business owners acting entrepreneurially (Maas & Herrington, 2007:20). Local government officials and small business practitioners in these municipalities were also investigated. The other provinces of South Africa were excluded as well as the national and provincial government officials. The units of analysis have been specified as start-up businesses (less than 3.5 years) and established businesses (older than 3.5 years) which are currently owned, managed and operated by their business owners.

1.5.2.3 ENTITIES / SOURCES FROM WHICH DATA WILL BE COLLECTED

The research instrument is based on the findings of the secondary data sources which include amongst others relevant literature, government documents, research reports and official Internet sites. **Primary data** were collected from interviews with the start-up and established business owners; as well as from the small business practitioners (government officials) who have been actively involved in the implementation of the small business policies.

1.5.2.4 METHODS / TECHNIQUES FOR SELECTING RESPONDENTS, PARTICIPANTS OR DATA SOURCES

This study used a combination of two sampling techniques – namely, “systematic” and “purposive / judgemental” sampling. A “systematic” sampling technique is a probability sampling procedure and it is most commonly associated with survey-based research strategies. Inferences can be made from the sample about the larger population to be able to meet the research objectives (Saunders, Lewis &

Thornhill, 2007:208). A systematic sampling technique works well because the population covers a large geographical area, in this case, five metropolitan cities in South Africa. Individuals will be selected according to a predetermined sequence. The initial sampling point is selected at random, and then cases are selected at regular intervals (Cooper & Schindler, 2011:378). This technique's cost is low and it is relatively easy to explain to field workers. Furthermore, it is simple to design and easier to use than the simple random sampling technique. Another advantage is that it is easy to determine the sampling distribution of mean or proportion. It is also less expensive than simple random sampling. The technique also has disadvantages that should be taken cognisance of and includes: the periodicity within the population may skew the sample and results and, if the population list has a monotonic trend, a biased estimate will result based on the start point (Zikmund *et al.*, 2013:397).

A “purposive / judgemental” sampling technique is a non-probability sampling procedure. With purposive / judgemental sampling, the sample is arbitrary and subjectively selected (Cooper & Schindler, 2011:385) to fulfil a purpose of providing answers to the study's research questions and objectives.

1.5.2.5 NUMBER OF RESPONDENTS, PARTICIPANTS OR OTHER DATA SOURCES TO BE INCLUDED IN THE STUDY

The sample of the study consisted of 23 government officials and 340 start-up and established business owners. The sample included respondents from three different provinces and every ethnic group in South Africa. Out of the total of 340 start-up and established business owners, 187 respondents had businesses that were less than 3.5 years old and called “start-up businesses”. The remaining 141 respondents had businesses more than 3.5 years old and called “established businesses”. Unfortunately, twelve (12) respondents did not indicate when the business was started and so the business could not be categorised accordingly. The margin of error, time and financial constraints will also have to be taken into account (Saunders *et al.*, 2007:210).

1.5.3 DATA COLLECTION

The method of data collection in this study was based on a communication approach in the form of a structured survey. Data collection involved gathering both secondary and primary data.

1.5.3.1 NATURE OF THE DATA TO BE COLLECTED

Secondary data were collected to identify the various components of a small business policy as well as of an entrepreneurship policy through a review of the most recent available literature on the topic. **Primary data** were collected to be able to evaluate how the needs of start-up and established business owners operating small business and entrepreneurial ventures are addressed by the small business policies at local government level. Thereafter, the small business policies of the selected municipalities were compared to determine similarities and differences.

According to Saunders *et al.* (2007:163) one needs to recognise the factors that can hamper access to the required sources of data. These factors include physical access, and the request for access and cooperation. This was planned for in advance and appropriate strategies developed to overcome it to still reach the set research objectives.

1.5.3.2 DATA COLLECTION METHODS

Secondary data were collected from a myriad of sources that include existing literature from books, journal articles, government documents, research reports, electronic journals and Internet sites.

Primary qualitative data were collected through personal interviews as well as telephonic interviews. A structured interview with set questions was developed according to the research objectives. Face-to-face interviews are recommended because the researcher can establish a rapport with the potential participants and can possibly gain their cooperation. It is also recognised for yielding the highest response rates. Telephone interviews are less time-consuming and less expensive (Leedy & Ormrod, 2005:185). Primary data from the start-up and established

business owners, and government officials were further collected through self-administered questionnaires that consist of rating, ranking, open-ended as well as closed-ended questions. Trained fieldworkers were utilised for this purpose. The questionnaire was designed and structured to ensure the collection of valid and reliable data.

1.5.3.3 PRE- / PILOT-TESTING

Two questionnaires were developed: one for the government officials and one for the start-up and established business owners. Both questionnaires were first pilot tested on a total of five start-up and established business owners as well as five government officials that met the target population requirements. Thereafter, they were excluded from the research study to avoid participant bias. A group of experts was requested to comment on the questionnaire design and structure. It was essential that the respondents had no problems in understanding and answering the questions.

1.5.4 DATA ANALYSIS

Cooper and Schindler (2011:90) describe data analysis as a process that involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques. Descriptive and inferential statistics will be applied to investigate and summarise the research constructs.

Descriptive statistics are a method used to describe the characteristics of a population or a sample. Descriptive statistical measures are used to depict the centre, spread, and shape of distributions (Cooper & Schindler, 2011:423). The most generally used descriptive statistics are frequencies, ranges, means, modes, medians and standard deviations (Quinlan, 2011:399). The characteristics of central tendency, variability and shape are useful tools for summarising distributions.

According to Quinlan (2011:399), the purpose of inferential statistics is to reach conclusions that extend beyond the data. Inferential statistics are used to infer, based on the study of a sample of a population, what the entire population might

think, or do. Statistical inference uses the data gathered on a sample population to draw conclusions (or inferences) about the population from which the sample was drawn.

There are two general classes of significance tests: parametric and nonparametric tests. Parametric tests are more powerful because the data are derived from interval and ratio measurements. Nonparametric tests are used to test hypotheses with nominal and ordinal measurement (Cooper & Schindler, 2011:464).

The following significance tests were employed in the inferential analysis of this study: the One-Way ANOVA Test, Kruskal-Wallis One-Way ANOVA Test, Friedman Two-Way ANOVA Test, Mann-Whitney *U* Test, Chi-square Test and Pearson's correlation coefficient.

1.5.5 ASSESSING AND DEMONSTRATING THE QUALITY AND RIGOUR OF THE PROPOSED RESEARCH DESIGN

To assess and demonstrate the quality and rigour of the proposed research design, the sources of error or bias were considered along with the appropriate criteria and techniques.

1.5.5.1 SOURCES OF ERROR OR BIAS

Since personal and telephonic interviews were undertaken, interviewer bias and interviewee or response bias are types of bias to consider. In these cases, careful preparation is considered one of the keys to a successful interview. Appropriate location, the researcher's appearance and approach to questioning may help to overcome the biases.

1.5.5.2 CRITERIA AND TECHNIQUES FOR ASSESSING THE QUALITY AND RIGOUR OF THE PROPOSED STUDY

Subject or participant error, participant bias, observer error and observer bias are four threats to reliability. History, testing, instrumentation, mortality and maturation are threats to validity. As a researcher one has to keep these in mind as well as

find ways to effectively deal with them so that they do not negatively influence the research results.

1.5.6 RESEARCH ETHICS

Research ethics according to Saunders *et al.* (2007:195) refer to the

appropriateness of the researcher's behaviour in relation to the rights of those who become the subject of his/her work or affected by the work.

In this specific study the potential ethical issues will be recognised and considered from the outset of the research as well as at all the stages of the research project. The key ethical issues that will be addressed relate to the privacy of the possible and actual participants. The participation is voluntary in nature and the individual has the right to withdraw partially or completely from the research process. The research study involves an anonymous survey. Data that will be provided by the participating individuals or identifiable individuals will be treated as strictly confidential. The researcher will also remain objective during the research process.

1.6 OUTLINE OF THE DOCUMENT

The document consists of the following chapters:

Chapter 1: Introduction and background to the study

Chapter 1 focuses on the introduction and background to the study. It defines the research problem and clearly states the research objectives and hypotheses. The importance and benefits of the study are discussed and the key terms defined. Literature regarding the small business sector in South Africa has been reviewed briefly as well as small business and entrepreneurship policies. Finally, the chapter presents the delimitations and assumptions of the study and outlines the research design and methodology.

Chapter 2: Small business and entrepreneurship as well as small business and entrepreneurship policies

This chapter will discuss the literature review on small businesses and small business policies. It will outline possible criteria to define small business, policy support and highlight research trends. The differences between small businesses and entrepreneurial ventures will be identified by exploring their characteristics and distinguishing features. Different types of support initiatives that are generally available will be reviewed. International small business policies will be described in terms of their content and outcomes.

In addition to this, the chapter will focus on entrepreneurship and entrepreneurship policies. Literature will be reviewed to draw attention to the different viewpoints, perspectives and definitions of entrepreneurship. Research trends will be identified and the policy environment dealt with. Entrepreneurship policies in general and different countries' entrepreneurship policies will be investigated to determine their contents and outcomes since there is no entrepreneurship policy in South Africa. Thereafter, the differences between the small business policy and entrepreneurship policy will be examined.

Chapter 3: The South African small business sector and policy

In Chapter 3 the South African small business sector will be reviewed as well as the government's national small business policy. Key support institutions and other interventions to support small business will be explored. This chapter will highlight the small business policies of the three provinces that are considered to be the growth nodes for the South African economy – namely, Gauteng, the Western Cape and KwaZulu-Natal. Each province consists of metropolitan municipalities. The content and outcomes of the small business policies of each of these metropolitan municipalities will be examined to identify similarities and differences.

Chapter 4: Monitoring and evaluating South Africa's small business policy and determining the need for an entrepreneurship policy

Chapter 4 will focus on policy monitoring and evaluation. The different forms of policy support relevant to small business and entrepreneurship will be evaluated according to applicable key considerations. The shortcomings of the small business policy will be identified. Each of the different key components of the entrepreneurship policy framework will be analysed to determine which shortcomings of South Africa's small business policy it is able to address.

Chapter 5: Research design and methodology of the study

This chapter will discuss the research design and methodology in detail. The research objectives and hypotheses will be presented. The reliability and validity of the study, and the design of the two questionnaires used to collect data will be dealt with. In the final section, the data processing and analysis will be explained by means of the statistical techniques that will be used.

Chapter 6: Research findings

In this chapter all the research findings will be presented based on the data analysis and the interpretation thereof. Factor analysis will be done to confirm the validity and reliability of the questionnaires. The chapter presents the research findings obtained by means of descriptive research and inferential statistics such as One-Way ANOVA and Chi-square tests to identify statistical significant differences between the different target population groups.

Chapter 7: Conclusions and recommendations

Chapter 7 will highlight the conclusions and recommendations. It will summarise the main findings of the study. The research objectives and hypotheses will be revisited and the limitations of the study, contribution of the study as well as future research will be discussed.

CHAPTER 2:

DEFINING SMALL BUSINESS AND ENTREPRENEURSHIP AS WELL AS SMALL BUSINESS AND ENTREPRENEURSHIP POLICIES

2.1 INTRODUCTION

A substantial small business entrepreneurial segment has been absent, hampering strong, sustained economic growth and employment opportunities. The small business sector plays a pivotal role in other emerging economies and the same is expected in South Africa (Kerimova, 2008:1; Ryan, 2010:8). According to Amorós, Borraz and Veiga (2009:4), economic growth should encourage entrepreneurial activity by creating an environment where identified risks of, and expected income from, entrepreneurial activity would improve more than the advances in paid jobs. Owing to this reason, entrepreneurship and small business development have received growing attention by researchers, both locally and in the international arena (Herrington *et al.*, 2010:31; Tsai & Kuo, 2011:8343; Tende, 2014:109).

The role that entrepreneurship plays in the economy has changed dramatically since the 1960s. The increased importance of entrepreneurship is supported by the amount of attention it has been receiving from politicians and policy makers in the last decade or so (Davis, 2006:73; van Stel *et al.*, 2007:172; Ribeiro-Soriani & Galindo-Martin, 2012:861). It is considered to be the engine that will set the emerging economies in motion (Bruton *et al.*, 2008:5).

Many governments have implemented policies aimed at fostering entrepreneurship in their countries (Murdock, 2012:880; Niska & Vesala, 2013:521). Government policies shape institutional structures for entrepreneurial action, encouraging some activities and discouraging others. Unfortunately, the results of such policies have been mixed and, with some exceptions, researchers

have been unable to tackle this issue satisfactorily (Minniti, 2008:779-781). Serious attempts towards understanding entrepreneurship's determinants and how government policies might be applied to change conditions, are still in the very early stages (Davis, 2006:70).

So, various government policies have been put in place to address small business and entrepreneurship development. Kirby (2003:209) noted that

entrepreneurship is frequently equated with small businesses and new venture creation, and new ventures are frequently seen as the manifestation of an enterprise culture.

However, although the literature often fails to distinguish between the “new venture” and the “entrepreneurial venture”, it is generally accepted that there is a distinction between the two: not all small businesses can be regarded as being entrepreneurial and not all new ventures are the product of entrepreneurial activity. Therefore, policies are required that acknowledge the distinctive needs of the two types of ventures. South Africa, as a developing country, needs a policy that will support small businesses as well as enabling the shaping of entrepreneurial actions and their outcomes (Ligthelm, 2013:73; Watson, 2013:407).

In this chapter the literature on small businesses and entrepreneurship policies will be reviewed, commencing with the research trends in the fields of small business and entrepreneurship. Thereafter the chapter concentrates on clarifying the definitions and characteristics of the key terms: “small business” and “entrepreneurship”. Attention will be drawn to the different viewpoints, perspectives, interpretations and definitions of these two terms. The differences between start-up and established businesses as small business and entrepreneurial ventures will be identified by exploring their respective as well as the distinguishing characteristics.

The second part of the chapter describes the aim, main activities, objectives and outcomes of small business and entrepreneurship policies. This will be followed by a compilation of the differences between these two types of policies. An international perspective on the two policies is provided by looking at them in general as well as the different countries' approaches to the policies will be investigated to determine their main activities, objectives and outcomes.

2.2 RESEARCH TRENDS IN SMALL BUSINESS

Research output is expected to increase due to an upsurge in the number of university-based centres of entrepreneurship and small business. However, additional measures are necessary to ensure that policy-relevant research is undertaken on an ongoing basis to identify gaps in policy programmes (Murdock, 2012:881). In particular, statistical data on small enterprises, including business entry, exit, survival and failure rate, are critical to informing policies and support programmes (dti, 2005a:24).

Blackburn and Smallbone (2008:278) claim that the policy orientation of UK research on small business and entrepreneurship has had a positive influence on the development of the field in the UK, contributing to the size and diversity of the research community.

Catel-Branco (2003:1) critiqued the SME-led approaches to economic development. The author revealed at least six major problems related to this debate:

1. The concept of SMEs is not clear as definitions are arbitrary and vary significantly according to different stages of economic development, economic structures and issues that authors of the studies intend to address.
2. Arguments for SMEs differ significantly between scholars and between policy makers, and have become too many to be of any practical use.
3. Supporting SMEs has become a (static) development objective in itself, and often a panacea, rather than a means to achieve development goals, a stage in development of firms and industries, or an action that is derived from socially and economically specific processes of development.
4. It is not clear that SMEs are in fact the way to achieve the development objectives that SMEs rhetoric and policy orientation intends to achieve.
5. There are considerable differences with respect to the policies that are more likely (or less likely) to promote SMEs – and because definitions of, and arguments for, SMEs vary so much, it is difficult to assess the relative merits and real utility of any such set of policies.
6. It is questionable that the mainstream approaches to SMEs can capture the dynamics of the firms in any process of capital accumulation, particularly if such a process is integrated into the world economy.

Havenga (2008:64) agrees that SMEs do not generate jobs, as is widely believed. It is widely accepted by the public that SMEs contribute to the generation of jobs, but sufficient research does not exist to support this statement. Tice (2011:1) argues that most small businesses are one-person operations and have no or very few employees. Keith (2013:1) reports that it is not accurate to say that all small businesses create jobs, because some small business owners decide not to grow and innovate in any way. Only a fraction of small businesses grow big and create employment. This corresponds with Wickham's definition previously mentioned in Chapter 1 (Wickham, 2006:39).

These research trends should be taken cognisance of for lessons that can be learnt from them.

2.3 SMALL BUSINESS

As previously mentioned in Chapter 1, despite the many attempts to define the term "small business", there is no universally agreed-on definition of a small business (Scarborough & Zimmerer, 2003:21; Catel-Branco, 2003:2; Longenecker *et al.*, 2006:7). In the next section the criteria for defining a small business and its characteristics are highlighted.

2.3.1 DEFINING SMALL BUSINESS

Possible criteria for small businesses (such as the number of employees who are employed in the business and the different categories of enterprises) will be discussed briefly.

2.3.1.1 NUMBER OF EMPLOYEES EMPLOYED IN THE BUSINESS

According to SEDA (2012:56), in terms of the number of employees, generally a description of any enterprise with fewer than 50 to 100 employees is defined as a "small business". This includes profit-making enterprises (businesses) as well as not-for-profit enterprises (such as co-operatives). Within the definition of a "small enterprise", many people also recognise a large number of very small (or micro) enterprises, with fewer than five employees. Small enterprises are also sometimes called "SMMs". This is a term which includes the larger end of the small business sector – medium-sized businesses (which employ up to 200 people).

2.3.1.2 DIFFERENT CATEGORIES OF SMALL BUSINESSES

Reference to “small enterprises”, “small business” or SMMEs, unless specifically demarcated, covers the full spectrum of business enterprises other than “large enterprises” or corporations and publicly owned enterprises. This includes categories such as micro-enterprises, survivalist enterprises, informal sector enterprises, and formal SMEs. It also covers businesses in all stages of evolution, from pre-established to start-up, emerging, stable or expanding as well as enterprises in distress. Furthermore, it includes enterprises that can be characterised as family-owned, black-owned, women-owned or co-operatively owned (dti, 2005b:5).

Thus, when very small (or micro) enterprises are excluded, the term “SMEs” is used which is mostly the case in international contexts (Sexton & Landström, 2000:84; Catel-Branco, 2003:2; Thorpe *et al.*, 2005:257; Marchese & Potter, 2006:130; van Stel *et al.*, 2007:3; Preuss, 2011:809). In the present research, the focus will be on SMMEs.

2.3.2 SMALL BUSINESS CHARACTERISTICS

According to Kuratko and Hodgetts (2007:4), small businesses are independently owned and operated, are not dominant in their fields, and usually do not engage in many new or innovative practices. They may never grow large, and the owners may prefer a more stable and less aggressive approach to running these businesses (Manalova, Brush, Edelman & Shaver, 2012:20). In other words, they manage the businesses by expecting stable sales, profits, and growth. Small firms include those purchased as already established businesses as well as franchises. Small business owners can be viewed as managers of small businesses.

Therefore, a small business can be described as a venture which has reached its full potential given its existing resources. The owners have no intention of growing the business beyond normal inflation and economic growth, and show little or no innovation or strategic objectives. Small business management is thus the management of a particular small and growing business venture (Nieman, 2013:7).

Prof. Lind, a Swedish researcher at the University of Stellenbosch Business School, highlighted three growth-hampering factors from his research on SMEs which was conducted in four countries including Sweden and South Africa (Havenga, 2008:64):

- SMEs tend to compete with price and then they have no other means to increase customer value;
- They have low ambitions to increase added value; and
- They claim good customer dialogues, but in reality customer contacts are poor which leads to limited sales opportunities.

The different criteria for small business definitions and the characteristics of small businesses can be worthwhile inputs when compiling a small business policy. From the above it can be concluded that more than one definition exists for the term “small business”. Different criteria are on hand to distinguish them from large businesses (such as the number of employees employed in a business and the different categories that were highlighted). A common demarcation of a small business is one employing less than 100 people (Scarborough & Zimmerer, 2003:21; Preuss, 2011:809). These criteria can ultimately have an influence on the competitiveness and efficacy of the small businesses as well as the usefulness of the small business policy.

The small business owner who may initially start with only a few employees must be able to manage them. As the number of employees grows along with the business he/she needs to be able to cope with their changing needs and demands. The alternative may be to appoint a manager to deal with human resources while the owner focuses primarily on the business’ core activities. Small business policy should be able to address these needs by providing acceptable skills training (Ladzani *et al.*, 2011:1474).

As far as the different categories are concerned, “small business” covers a wide range of business enterprises as well as businesses in all stages of development. A beneficial small business policy will take cognisance of these differing needs and tackle them accordingly.

Nieman (2006:4) mentions that small businesses are established for the prime reasons of advancing personal goals and ensuring security. Therefore, the focus is on achieving stability in terms of sales, profits and growth with inflation. The

tendency is to settle down once the business is established. Innovations are either limited or non-existent. The business is not customer-oriented or even aiming to increase customer value. Strategic objectives are not considered, implying that the business is not future-orientated. All of these may lead to a business remaining small, not being dominant and merely maintaining the status quo.

Still, small business development is crucial to the economy. According to Sexton and Landström (2000:85), politicians tend to establish policy without concern for their impact on small businesses. It almost seems that regulations are growing more rapidly than new businesses. Small business policy needs to assist with the continued survival of small businesses by attending to the cited growth-hampering factors. Next are the research trends and definitions of entrepreneurship, followed by the entrepreneurial venture characteristics.

2.4 RESEARCH TRENDS IN ENTREPRENEURSHIP

Van Praag and Versloot (2007:352) and Tende (2014:109) agree that academic studies on entrepreneurship are encouraged by the economic benefits of entrepreneurship, such as employment generation or innovations. Therefore, understanding the drivers of entrepreneurship in South Africa is an important topic for research (Luiz & Mariotti, 2011:48).

Yet, existing research on the correlation between government and entrepreneurship is scarce. One would have thought that this is a research area of significant importance compelling closer scrutiny since it is national governments that develop policies and establish the legal framework within which new ventures are created. In addition to personal values, these policies affect the willingness of individuals to make investments to engage in entrepreneurship. Government can play a role in fostering entrepreneurship (Michael, 2005:1; Kohler, 2012:9; Cutifani, 2012:5). Researchers have acknowledged that even though public support is available, many entrepreneurs are reluctant to make use of it. One explanation is the nature of the available support (Niska & Vesala, 2013:522).

Almost a decade ago the volume of entrepreneurship / small business (E/SB) policy research was small and inadequate to address the most basic questions. However, Bruton *et al.* (2008:1) state that the quantity and quality of entre-

preneurship research has increased dramatically since the early 1990s. Policy research in the USA, for instance, had an issue-specific and not a group-based focus, except for women and minorities. The people who produced policy research on issues affecting small business and their publication outlets were not often associated with academic business schools.

A prime reason for the lack of policy-oriented research can be ascribed to a lack of data. If a policy cycle begins with issue development, proceeds to the legislative process and ends with policy evaluation, most E/SB policy research addresses issues in the middle or latter stages (Dennis, 2000:68).

Even though it is acknowledged that entrepreneurship plays a key role in economic development, to date little is known about entrepreneurship in emerging economies: economies that are increasingly moving to market orientation and seeking to rapidly advance economically. Emerging economies may share many similarities, but they also have distinctive characteristics. Each country's history, size, and munificence of their economies differs, as does their economic development paths. There is a need to develop an understanding of these differences and their impacts. However, where there are also similarities that various economies share, these should be established. Thus, while there is a need for a more in-depth study of individual countries, there is also a need for greater use of multi-country samples that allow an in-depth understanding of issues that impact a wide range of emerging economies (Bruton *et al.*, 2008:5). It is important to examine the context within which entrepreneurial activities are performed (Watson, 2013:405).

Given the importance and steady growth of emerging economies worldwide, it is somewhat surprising that over 17 years [1990 to 2006] only 43 articles have been published on entrepreneurship in that domain. Five top management journals, a social science journal, a leading journal in psychology and organisational behaviour, and two most-cited entrepreneurship journals were included to determine this (Bruton *et al.*, 2008:5). Table 2.1 provides the names of these journals to further assist research since South Africa is considered to be an emerging economy.

Table 2.1: Journals that published articles from 1990 to 2006 on entrepreneurship in emerging economies

Type of Journal	Name of Journal
Management journals	Academy of Management Journal Academy of Management Review Administrative Science Quarterly Journal of International Business Studies Strategic Management Journal
Social science journal	Organization Science
Psychology and organisational behaviour journal	Journal of Applied Psychology
Entrepreneurship journals	Entrepreneurship Theory and Practice Journal of Business Venturing
Source: Bruton <i>et al.</i> (2008:5).	

While building a greater understanding of emerging economies, a greater understanding of their differences from mature economies also needs to be developed further. Interest in, and awareness of, the importance of entrepreneurship is definitely mounting. It is deemed a tool for improving economic and social conditions in both the developed and the developing world (Kirby, 2005:558).

At the beginning of the new millennium, Dennis (2000:78) believed that American business schools should encourage greater interest in E/SB research. Policy is clearly an essential part of today's environmental equation. It is, therefore, highly relevant and offers significant opportunities in a largely unexplored area. Niska and Vesala (2013:521) reported that enterprise promotion has become a central focus of policy-making since it is considered to be the cornerstone of economic growth policy.

2.5 ENTREPRENEURSHIP

Entrepreneurship is a burning topic and therefore it is a popular focus for policy makers, academic researchers and students (Davis, 2006:69; Tsai & Kuo, 2011:8343). While it has become widely acknowledged that entrepreneurship is a

vital force in the economies of developed countries, there is little consensus about what actually constitutes “entrepreneurial activity”. Researchers, scholars and academics have proposed a myriad of definitions (refer to Table 1.2).

2.5.1 DEFINING ENTREPRENEURSHIP

While most theorists recognise entrepreneurship as a process rather than a single action, definitions have reflected different roles of the entrepreneur. For some, the entrepreneur assumes risk; for others the entrepreneur applies and diffuses innovation (Davis, 2006:70). The theoretical discussions of entrepreneurship, its meaning and impacts, date back to the 18th century with Richard Cantillon as one of the pioneers in this field (Nieman & Nieuwenhuizen, 2009:5).

The failure of a single definition of “entrepreneurship” to emerge undoubtedly reflects the fact that it is a multi-dimensional concept (Audretsch, 2005:21; Watson, 2013:405). This is supported by Davis (2006:68) who asserts that entrepreneurship is a multi-faceted subject that requires a multi-disciplinary approach.

Thus experts from psychology, sociology, economics, management and many other disciplines are all making useful contributions to the understanding of this complex phenomenon called “entrepreneurship” (Audretsch, 2005:22). For example, definitions of entrepreneurship typically vary between the economic and management perspectives. The most prevalent and compelling views of entrepreneurship focus on the perception of new economic opportunities and the subsequent introduction of new ideas in the market.

From a different perspective, Vesper (1980:2) highlights that the unfavourably inclined politician may see an entrepreneur as one who is devious and hard to control, whereas a favourably inclined politician sees the same person as one who finds effective ways to get things done. An entrepreneur can also be described as a person who takes an idea and an opportunity, and turns them into a profitable enterprise by harnessing the necessary skills and resources to manage risks. The real thrill of entrepreneurship is creating something from nothing. This requires vision, creative thinking, an ability to get things organised, and a lot of hard work

(SEDA, 2009:1). Therefore, the concept of entrepreneurship can be described as a particular type of human activity (Watson, 2013:406).

From Schumpeter's (1934:66) viewpoint, "entrepreneurship" entails development which is defined by the carrying out of new combinations. This concept covers the following five cases:

1. The introduction of a new product or service – that is, one with which consumers are not yet familiar – or the new quality of a product or service.
2. The introduction of a new method of production, that is, one not yet tested by experience in the branch of manufacture concerned, which does not need to be founded upon a discovery that is scientifically new, and can also exist in a new way of handling a commodity commercially.
3. The opening of a new market that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.
4. The conquest of a new source of supply of raw materials or half-manufactured products or services, again irrespective of whether this source already exists or whether it has first to be created.
5. The carrying out of the new organisation of any industry, like the creation of a dominating position or the breaking up of a dominating position.

Timmons and Spinelli (2009:101) aid the latter definition by confirming that

entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced.

New combinations can only result from this kind of behaviour.

This study employs the definition of entrepreneurship of the Chair in Entrepreneurship, Department of Business Management, at the University of Pretoria: "Entrepreneurship is the emergence and growth of new businesses" (Nieman, 2013:8).

2.5.2 ENTREPRENEURIAL VENTURE CHARACTERISTICS

There is little agreement on either theoretical or empirical definitions of entrepreneurship (Davis, 2006:68). As early as 1934, Schumpeter (1934:75) described who does not qualify as entrepreneurs. According to him, entrepreneurs do not include all heads of firms or managers or industrialists who merely may operate an established business, but only those who actually perform the function of carrying out new combinations. He called this function “enterprise” and the individuals who carry them out are called “entrepreneurs.” The essence of entrepreneurship as mentioned by Yu (2001:15) is to keep alert to opportunities even when the enterprise is in a profitable situation and it is this feature that qualifies an individual to be an entrepreneur.

“Entrepreneurial ventures”, as pointed out by Kuratko and Hodgetts (2007:4), are those where the entrepreneur’s principal objectives are innovation, profitability, and growth. The business is characterised by innovative practices and sustainable growth. In this case entrepreneurs and their financial backers are usually seeking rapid growth and immediate profits. Research shows that most small business owners are not interested in further growth because they regard additional administration and employing more people as a burden (Havenga, 2008:64).

However, Kirby (2003:210) emphasises that it is not quite as easy as it might seem to describe (or create) the entrepreneurial venture. Indeed, this might be why so many of the major entrepreneurship texts fail either to describe or distinguish between the entrepreneurial venture and the small business. From Kirby’s viewpoint, an “entrepreneurial organisation” is one that is:

- Innovative
- Prepared to take risks
- Pro-active
- Close to the market
- Responsive to customer needs.

Everyone is an entrepreneur only when he/she actually “carries out new combinations,” and loses that character as soon as he/she has built up his/her

business, when he/she settles down to running it as other people run their businesses. This is the rule, of course, and hence it is just as rare for anyone to remain an entrepreneur throughout the decades of his/her active life as it is for a businessman / woman never to have a moment in which he/she is an entrepreneur, to however modest a degree (Schumpeter, 1934:78).

An analysis of the entrepreneurship literature suggests that there are three core dimensions of entrepreneurship – namely, opportunity exploitation (finding and pursuing), venture creation, and venture growth (Pretorius, Millard & Kruger, 2006:3). Entrepreneurs should measure (and rate themselves) high on creativity, innovation and the ability to implement the innovations in order to grow their ventures. As stated by Huggins and Williams (2011:908) and Watson (2013:405), there needs to be fuller recognition of the multiple dimensions of entrepreneurial activities.

Following the brief discussion of the different definitions of entrepreneurship and the entrepreneurial venture characteristics, some conclusions can be drawn. More than one interpretation of entrepreneurship calls for the identification and implementation of more than one approach by policy makers to accommodate the array of needs of entrepreneurs. If the objectives entail amongst others developing the economy, creating employment and alleviating poverty, this approach has to recognise the multi-disciplinary aspect of entrepreneurial activity. Contributions from the disciplines of psychology, sociology, economics, management and many others can aid the grasping of the complex concept of entrepreneurship.

Vesper (1980:2), Schumpeter (1934:66), Yu (2001:15), Kuratko and Hodgetts (2007:4) and Kirby (2003:210) agree on the “newness” aspect of entrepreneurial ventures which distinguishes it from small businesses. They find and implement new combinations (such as introducing a new product or service) in an effort to satisfy customer needs. Alertness to opportunities in new markets and production methods or sources of supply are quite significant. Entrepreneurial ventures are, therefore, focused on their customers, business growth, increased profitability and pioneering innovations. Subsequently, this leads to an entrepreneur’s true identity.

Thus, entrepreneurs may be viewed as having a different perspective from a small business owner in the development of their enterprises (Kuratko & Hodgetts, 2007:4). Government policies should intentionally acknowledge these perspectives because entrepreneurs have to deal with social and economic circumstances which can constrain as well as shape entrepreneurial actions and outcomes (Ligthelm, 2010:150; Watson, 2013:407). It is important to make a clear distinction between small businesses and entrepreneurial ventures.

In the next section, a table is compiled to point out the distinguishing characteristics between these two types of ventures as highlighted by different researchers. These characteristics can be used as a guideline for developing different forms of support as required by these ventures.

2.6 DISTINGUISHING BETWEEN SMALL BUSINESSES AND ENTREPRENEURIAL VENTURES

The characteristics of small businesses and entrepreneurial ventures were discussed in Chapter 1. Table 2.2 illustrates the distinguishing characteristics between these two kinds of business ventures as noted by different researchers.

The terms “entrepreneur” and “small business owner” are sometimes used interchangeably as indicated in Chapter 1. Kuratko and Hodgetts (2007:4) state that although some situations encompass both terms, it is important to note differences in the titles. Kirby (2003:209) also noted that “entrepreneurship” is frequently equated with “small businesses” and “new venture creation”, and new ventures are frequently seen as the manifestation of an enterprise culture. However, although the literature often fails to distinguish between the “new venture” and the “entrepreneurial venture”, it is generally accepted that there is a distinction between the two: not all small businesses can be regarded as being entrepreneurial and not all new ventures are the product of entrepreneurial activity.

Davis (2006:68) agrees that confusion arises from the sometimes careless interchanging of the terms “entrepreneurship” and “small business”. When pressed, few policy makers or analysts would equate the two. For example, few would argue that small hobby businesses or single-customer businesses represent “entrepreneurship”.

Table 2.2: Distinguishing characteristics between small business and entrepreneurial venture

Distinguishing characteristics between small business and entrepreneurial venture	Reference
Three factors distinguish entrepreneurial ventures from small businesses: <ul style="list-style-type: none"> • innovation • growth potential • strategic objectives 	Wickham, 2001:24
An entrepreneurial organisation is: <ul style="list-style-type: none"> • innovative • prepared to take risks • pro-active • close to the market • responsive to customer needs 	Kirby, 2003:210
Three factors distinguish entrepreneurial ventures from small businesses: <ul style="list-style-type: none"> • innovation • growth potential • a broad vision 	Rwigema and Venter, 2004:7
One distinguishing factor between a small business and an entrepreneurial venture: <ul style="list-style-type: none"> • growth 	Kruger, 2004:24
Three core dimensions of entrepreneurship: <ul style="list-style-type: none"> • opportunity exploitation (finding and pursuing) • venture creation • venture growth 	Pretorius <i>et al.</i> , 2006:3
Entrepreneurial venture's principal objectives are: <ul style="list-style-type: none"> • innovation • profitability • growth 	Kuratko and Hodgetts, 2007:4
Small businesses: <ul style="list-style-type: none"> • no intention of growing the business beyond normal inflation and economic growth • show little or no innovation • have few or no strategic objectives 	Nieman, 2013:8
Entrepreneurial venture: <ul style="list-style-type: none"> • constantly seeks growth • is innovative • has strategic objectives 	Nieman, 2013:8
Source: Own compilation.	

Further, not all entrepreneurs are necessarily running small businesses. Yet small business numbers are often used as proxies or indicators for entrepreneurship since clear definitions and measures of entrepreneurship itself are lacking.

Two distinguishing characteristics that are agreed upon by most of the researchers are “innovation” and “growth”. The researchers agreeing on “innovation” include Wickham (2001:24), Kirby (2003:210), Rwigema and Venter (2004:7), Kuratko and Hodgetts (2007:4), Ligthelm (2013:62) and Nieman (2013:8).

The other distinguishing characteristic, “growth”, is agreed upon by Wickham (2001:24), Rwigema and Venter (2004:7), Kruger (2004:24), Pretorius *et al.* (2006:3), Kuratko and Hodgetts (2007:4) and Nieman (2013:8). No or little innovation implies not being responsive to a changing business environment or changing customer needs and wants. The growth of the venture is critically dependent on entrepreneurial discovery and expands as the entrepreneur explores or exploits profitable opportunities (Yu, 2001:2). Growth relates to being future oriented and the setting of strategic objectives which need to be accomplished in the long term.

Small business and enterprise development is an issue of high political concern and public interest (Morales-Nieto, 2008:8). It is for this reason that policies are developed to take action in supporting this development.

The challenge for the research community is to persuade policy makers that it is in their long-term interests to carefully appraise policy and to be involved with that appraisal before policies are introduced (Storey, 2000:191; Storey, 2008:14). This view is supported by De (2000:85) who noted that entrepreneurship researchers should be more pro-active by conducting research on the expected impact on SMEs before the proposed policy or regulation has been implemented rather than after the fact. Next, the aim, objectives, main activities and outcomes of policies for small businesses will be discussed.

2.7 SMALL BUSINESS POLICY

Hisrich and Peters (2002:13) put forward the following question: “What makes it possible to form a new company?” The answer: several factors – government,

background, marketing, role models, and finances – contribute to the creation of a new venture. The government contributes by providing the infrastructure to help and support a new venture.

Policies are developed if they address an issue which is considered to be highly political and it is of interest to the public. Small business and entrepreneurship development are critical issues. It is for this reason that policies are developed to provide the required support and assistance (Morales-Nieto, 2008:8). As defined in Chapter 1, a “small business policy” is described by Boter *et al.* (1999:15) as one that should be based on the problems encountered by SMEs and on encouraging individuals with viable business ideas to become entrepreneurs.

Litan *et al.* (2006:67) emphasise that every country has its own unique dimensions of doing business. At the same time it is crucial to be aware of the **different types of SMEs** because they have **different needs** and policy success is likely insofar as such needs are taken into consideration (Marchese & Potter, 2006:130). van Stel *et al.* (2007:3) remark that, in practice, governments can make different choices about the extent to which policies will focus on providing direct assistance and on lowering the “burdens” or impediments for SMEs.

2.7.1 THE AIMS AND OBJECTIVES OF SMALL BUSINESS POLICY

The main role of policy is to **provide a general enhancing environment** in which SMEs may thrive by removing market barriers (trade and administrative barriers) and facilitating business operations (Catel-Branco, 2003:9). Another aim is to **mould a policy environment** where individuals from all backgrounds will have an opportunity to take a step towards economic success. The USA is an example of such a country where the corporate and government policy makers acknowledged these individuals as risk takers (Litan *et al.*, 2006:67). The primary objective of a small business policy is to **create an enabling environment** for small enterprises (dti, 2005a:7). In an effort to accomplish these objectives, certain activities have to be in place as well as implemented.

2.7.2 MAIN ACTIVITIES OF SMALL BUSINESS POLICY

Governments throughout the world have several different activities to either directly or indirectly support SMEs (van Stel *et al.*, 2007:3). This support and assistance are made available to small businesses through a number of institutions and incentives.

2.7.2.1 IDENTIFYING AND ADDRESSING THE SPECIFIC NEEDS AND DEMANDS FOR SUPPORT

It has been found that the interests of start-up and established business owners sometimes differ greatly from the perceptions and knowledge of support institutions. Consequently, a considerable amount of attention has to be devoted to identifying and addressing the specific needs and demands for support (Morales-Nieto, 2008:10). The diversity of common needs was mentioned in Chapter 1 which includes amongst others access to financial support, markets, physical infrastructure, information and skills training.

2.7.2.2 PROVIDING ACCESS TO FINANCIAL SUPPORT

Storey (2000:176) reports that practically all developed economies utilise taxpayers' money to provide either free or subsidised assistance to small business, the self-employed or to potential business owners. Sometimes this assistance is direct financial payments in the form of subsidies to encourage investment in human and physical capital. In other cases, indirect financial payments in the form of subsidies are provided as free or subsidised advisory services in starting or developing a small business or in specialised areas (such as exporting or the use of new technology). Moreover, attempts are made to influence the start-up of new firms through measures such as grants, tax relief and educational programmes (Robson, Wijbenga & Parker, 2009:531).

2.7.2.3 PROVIDING SOFT SUPPORT

“Soft support” refers to the provision of guidance and advice on a wide range of topics such as managing finances, employees, customers and business relations. It includes essential intangibles such as education and know-how (van Stel *et al.*, 2007:3; Robson *et al.*, 2009:531). This is especially vital for newcomers to the business world.

2.7.2.4 LOWERING BURDENS OR IMPEDIMENTS TO ENTREPRENEURIAL ACTIVITY

Besides providing direct and indirect assistance to entrepreneurs and SMEs, governments may also focus on lowering “burdens” or impediments to entrepreneurial activity. Examples of such burdens are the number of procedures a new business has to comply with in order to operate legally, or the extent of bureaucratic “red tape” (van Stel *et al.*, 2007:3; Ladzani *et al.*, 2011:1462).

2.7.3 THE OUTCOMES OF SMALL BUSINESS POLICY

De (2000:89) asserts that the overall objectives pursued by means of SME policy most commonly fall together with those pursued in the context of the general economic policy. The outcomes of a small business policy entail creating employment, fostering economic growth, improving competitiveness; and regional / structural development.

In summary, in considering policy intervention it is important that policy makers are able to provide a theoretical justification as to why the intervention is pertinent. Interventions include constructing policies that aim to create an enabling environment for existing and potential start-up and established business owners. Providing financial and “soft” support as well as lowering burdens or impediments to entrepreneurial activity were cited as key elements to accomplishing the aims and objectives of a small business policy. Policy makers should be able to show how their interventions lead to outcomes – such as an improvement in the economic performance of a local or national economy – in comparison with allowing the market to operate unhindered (Potter, 2005:105).

In the following section, entrepreneurship policies will be examined in an attempt to identify their aims, objectives, activities and outcomes. Acs and Szerb (2006:112) contend that there is no such thing as “entrepreneurship policy” per se – only policy in an entrepreneurial economy. The links between entrepreneurship, employment and growth did not escape the attention of policy makers. Boosting entrepreneurship is perceived as a policy tool to address a number of challenges in countries (Walburn, 2005:90).

2.8 ENTREPRENEURSHIP POLICY

In the 1990s knowledge about entrepreneurship (and what factors affected it, positively or negatively) was still limited, so there were few unconcealed entrepreneurship policies and even fewer explicit measures of entrepreneurship, the state of entrepreneurial culture, or the impact of entrepreneurs. Where there were policy references to entrepreneurship, most simply equated entrepreneurship policy and small business policy (Davis, 2006:69). Grimm and Audretsch (2005:5) stress that the objectives of entrepreneurship policies implemented by policy makers are multifaceted and, for the most part, unspecified.

2.8.1 THE AIM AND OBJECTIVES OF ENTREPRENEURSHIP POLICY

Davis (2006:73) notes that policy makers are gradually recognising that entrepreneurship policies are not simply about supporting SMEs or creating more of them. There is a growing desire to understand the entrepreneurial process.

According to Niska and Vesala (2013:522) the aim of an entrepreneurship policy is to create an entrepreneurial climate for start-up and for growth. As the process of globalisation continues, countries are challenged to assess and evaluate, on a global scale, existing public and economic policies for start-ups, in order to develop and re-design innovative policies to enable entrepreneurs to succeed at all levels of government (Grimm & Audretsch, 2005:5). The authors lay emphasis on the vacuum of innovative policies which successfully promote an “entrepreneurial society” in the early years of the 21st century.

Walburn (2005:90) is of the opinion that an entrepreneurship policy is utilised to deal with challenges such as the deficit in high growth, small businesses. The aim is to stimulate weak economies. It is also a means to address the injustices of social and economic exclusion in richer countries. Consequently, it addresses a wider range of objectives, extending to poverty reduction and social justice. According to Grimm (2005:145) and Audretsch (2009:252) economic growth is interdependently correlated with a favourable entrepreneurial environment and an entrepreneurship policy can stimulate the promotion of start-ups and entrepreneurs. Minniti (2008:784) agrees that governments can aim to provide an underlying environment conducive to the emergence of productive, rather than unproductive, entrepreneurship.

2.8.2 MAIN ACTIVITIES OF ENTREPRENEURSHIP POLICY

Entrepreneurship policies (Minniti, 2008:782) tend to be based on a handful of policy tools. Among them are financing, taxation, regulations on trade; and support for innovation activities. Welter (2005:105) and Tsai and Kuo (2011:8343) mention that activities could involve removing or lowering barriers to market entry and market exit, thus creating opportunity fields for entrepreneurs, and vice versa.

According to Stevenson and Lundström (2007:105), an entrepreneurship policy includes measures taken to stimulate entrepreneurship. It is based on systematic thinking in priority areas. It is not only about adding programmes or projects. The entrepreneurial process should also be taken into account. Therefore, from a policy perspective, the pre-start-up stage requires activities with greater detail to promoting entrepreneurship, entrepreneurship education / entrepreneurship skills and measures to support people as they explore entrepreneurship and start new businesses. These activities entail reducing entry/exit barriers, improving access to advice, information, networks, mentoring and incubators. In addition to this, activities should provide access to micro-loans and seed capital. Entrepreneurship education and training programmes should be customised and student venture programmes supported while establishing peer learning networks. Profiling role models and promoting the entrepreneurial role as a feasible option may serve as motivators to increase awareness and legitimacy of entrepreneurship.

The post-start-up stage (start-up up to 3.5 years) requires activities with greater detail to promoting growth possibilities, development of business management / growth skills and measures to “level the playing field”. It should also improve access to resources (financing, networks and expertise), markets, employees and technology. Regulatory and labour-market obstacles should be reduced and activities should concentrate on promoting new business possibilities and role models. Providing access to counselling, technical assistance, management skills, peer networks, ‘best-practice’ management tools and performance benchmarks are other crucial activities for growing entrepreneurs. The independence of entrepreneurs can contribute to higher levels of economic activity (van Stel *et al.*, 2007:2).

The entrepreneurship policy includes a huge number of initiatives to support SMMEs at varying stages in their development by increasing the availability of finance, technical assistance and other support, to levels that commercial markets operating on their own will not deliver (Walburn, 2005:92). Further support can include tax incentives, buildings, roads and a communication system (Hisrich & Peters, 2002:13).

Gilbert, Audretsch and McDougall (2004:7) highlight entrepreneurial policies that resulted in activities that introduced specific purpose credit funds to foster venture capital for high-technology start-ups. In addition, numerous programmes were introduced to assist mature small firms to update their technology. An ambitious system for identifying and providing various kinds of support for “promising SMEs” was established. Various tax breaks to small firms, such as accelerated depreciation allowances, deductions from taxable income, tax moratoria, and tax rate reductions, were also implemented.

From the above discussion it can be deduced that there are a vast number of activities that can be implemented to achieve the aims and objectives of an entrepreneurship policy. These activities differ from country to country.

2.8.3 THE OUTCOMES OF ENTREPRENEURSHIP POLICY

Gilbert *et al.* (2004:7) as well as Grimm and Audretsch (2005:3) are in agreement that entrepreneurship policies are emerging as one of the most essential instruments for economic growth. Public policies continue to be important determinants of economic growth so long as institutions and policy makers interfere in order to shape the market economy. Besides being in accord with the former authors regarding economic growth, Hemphill (2005:476) and Minniti (2008:787) concur that national government does play a crucial supportive role in establishing the business environment that encourages entrepreneurial commercial activity.

Lundström and Stevenson (2005:53) and Tsai and Kuo (2011:8344) identify the outcomes of an entrepreneurship policy – namely, an increased awareness and legitimacy of entrepreneurship; and the survival and growth of entrepreneurial ventures.

According to Grimm (2005:145) improved political framework conditions for entrepreneurs are an important outcome in order to open up new employment opportunities and create additional entrepreneurial dynamism.

There are also policies directed at entrepreneurs themselves within any entrepreneurial framework. These affect individual decisions to “take a job” or “make a job” – that is, to work for someone else or to make the riskier, but potentially more profitable choice and launch an enterprise (Acs & Szerb, 2006:116).

2.8.4 KEY COMPONENTS OF AN ENTREPRENEURSHIP POLICY FRAMEWORK

Stevenson and Lundström (2007:107) and UNCTAD (2012:2) have identified six priority areas for policy focus that have a direct impact on entrepreneurial activity. These are outlined in Table 2.3 together with the policy objectives for each policy area.

Table 2.3: Key components of an entrepreneurship policy framework

KEY COMPONENTS OF AN ENTREPRENEURSHIP POLICY FRAMEWORK			
Stevenson and Lundström (2007:109)		UNCTAD (2012:2)	
Policy area	Policy objectives	Policy area	Policy objectives
1. Entrepreneurship education	<ul style="list-style-type: none"> • Increase opportunities for people to gain entrepreneurial know-how • Integrate entrepreneurship into various levels of the formal education system 	1. Enhancing entrepreneurship education and skills development	<ul style="list-style-type: none"> • Embed entrepreneurship in formal and informal education • Develop effective entrepreneurship curricula • Train teachers • Partner with the private sector
2. Reducing administrative, legislative and regulatory barriers to entry and exit	<ul style="list-style-type: none"> • Reduce the time and cost of starting a new business • Reduce barriers to and improve opportunities for start-up and growth • Remove 'disincentives' to the entrepreneurial career choice decision 	2. Optimising the regulatory environment	<ul style="list-style-type: none"> • Examine regulatory requirements for start-ups • Minimise regulatory hurdles for business start-ups where appropriate • Build entrepreneurs' confidence in the regulatory environment • Guide entrepreneurs through the start-up administrative process and enhance the benefits of formalisation
3. Business support for start-ups	<ul style="list-style-type: none"> • Provide easy access to start-up information, advice, counselling, and other institutional support • Facilitate the transfer of 'know-how' 	3. Promoting awareness and networking	<ul style="list-style-type: none"> • Highlight the value of entrepreneurship to society and address negative cultural biases • Raise awareness about entrepreneurship opportunities • Stimulate private-sector-led initiatives and strengthen networks among entrepreneurs

KEY COMPONENTS OF AN ENTREPRENEURSHIP POLICY FRAMEWORK			
Stevenson and Lundström (2007:109)		UNCTAD (2012:2)	
Policy area	Policy objectives	Policy area	Policy objectives
4. Target group measures	<ul style="list-style-type: none"> • Reduce systematic barriers to raise start-up rates of groups under-represented as business owners • Reduce risks for high-growth technology start-ups to foster wealth creation 	4. Facilitating technology exchange and innovation	<ul style="list-style-type: none"> • Support greater diffusion of information and communications technology to the private sector • Promote inter-firm networks that help spread technology and innovation • Build bridges between public bodies, research institutions and the private sector • Support high-tech start-ups
5. Start-up and seed financing	<ul style="list-style-type: none"> • Address market failures and gaps in provision of appropriate financing for new and early-stage firms • Reduce information asymmetries 	5. Improving access to finance	<ul style="list-style-type: none"> • Improve access to relevant financial services on appropriate terms • Promote funding for innovation • Build the capacity of the financial sector to serve start-ups • Provide financial literature to encourage responsible borrowing and lending
6. Entrepreneurship promotion	<ul style="list-style-type: none"> • Increase social value of entrepreneurship • Create more awareness of entrepreneurship in society • Promote credible role models 	6. Formulating national entrepreneurship strategy	<ul style="list-style-type: none"> • Identify country-specific challenges • Specify goals and set priorities • Enhance coherence of entrepreneurship strategy with other national policies • Strengthen the institutional framework • Measure results, ensure policy learning

From Table 2.3 it can be deduced that the policy areas are not labelled exactly the same but the focus of the policy areas can be aligned with one another. The policy objectives for each policy area are also different as suggested by Stevenson and Lundström (2007:109) and UNCTAD (2012:2). Regarding the policy area that focuses on “entrepreneurship education”, Stevenson and Lundström highlight only entrepreneurial know-how and integrating entrepreneurship into the various levels of the formal education system. Besides entrepreneurship, UNCTAD added skills development. Both formal and informal entrepreneurship are suggested, while partnering with the private sector is also considered. Policy area two focuses on the regulatory environment. While Stevenson and Lundström’s policy objectives are to reduce and remove barriers, UNCTAD’s policy objectives are to first examine the regulatory requirements before minimising hurdles for business start-ups. At the same time, UNCTAD wants to build confidence among and guide entrepreneurs through the administrative process. Business support for start-ups is important and Stevenson and Lundström’s policy objectives are to provide easy access to information and advice. UNCTAD rather wants to highlight the value of entrepreneurship to society and raise awareness about entrepreneurship opportunities.

With regards to the target group measures, Stevenson and Lundström (2007) assert that the policy objective is to reduce barriers and risks associated with under-represented business owners and technology start-ups. UNCTAD’s approach is to rather facilitate technology exchange, promote inter-firm networks and build bridges between public bodies, research institutions and the private sector. According to Stevenson and Lundström, the entrepreneurship policy needs to address the gaps in the provision of financing for new and early-stage firms. UNCTAD’s approach is to improve access to relevant financial services on appropriate terms. Finally, regarding the policy area to promote entrepreneurship, Stevenson and Lundström aim to increase the social value of entrepreneurship. UNCTAD reports that countries should formulate a national entrepreneurship strategy which should be coherent with the other national policies. Overall, Stevenson and Lundström have laid the foundation for an entrepreneurship policy framework and UNCTAD has developed it further by formulating more specific

policy objectives. The latter party includes the private sector in most of the policy areas unlike Stevenson and Lundström (2007).

Table 2.3 will be used in Chapter 4 (Section 4.7) to determine South Africa's need for an entrepreneurship policy after evaluating the small business policy.

In summary, business environments do not become attractive to entrepreneurs by themselves according to Grimm and Audretsch (2005:4). Rather, public policies greatly contribute to turn them into attractive entrepreneurial societies. Identifying the locations that are really appropriate for facing the challenges of an entrepreneurial society is the difficult part. Minniti (2008:782) observes that policy design needs to be aware of these local differences, and adapt to the different scale and nature of existing resources, networks, and market capabilities. Environments required for the emergence of productive entrepreneurship are likely to differ significantly between a rural area, a high-technology cluster, and a metropolitan area. One size does not fit all (Storey, 2008:22; Manalova *et al.*, 2012:8). Many important issues concerning the types and effectiveness of entrepreneurship policy have not yet been settled. Serious attempts to go beyond simply measuring entrepreneurship, towards understanding its determinants and how government policies might be applied to change conditions, are still in the very early stages (Davis, 2006:70).

As mentioned before, entrepreneurship and small business are closely related. It was reported earlier by Blackburn and Smallbone (2008:268) that the boundary between entrepreneurship and small business is seen as a particularly fuzzy one. The same scenario may apply to the case between a small business policy and an entrepreneurship policy. Therefore, the differences between these types of policies need to be highlighted. The next section focuses on policies implemented in different countries to address entrepreneurship.

2.9 DIFFERENCES BETWEEN SMALL BUSINESS POLICY AND ENTREPRENEURSHIP POLICY

Entrepreneurship policy was a relatively new phenomenon in the mid 1990s (Audretsch, 2005:31). Similarly, policymaking was less informed about entrepreneurial and small businesses than it would otherwise be (Dennis, 2000:64). This has however changed and it has become important that a

distinction should be made between traditional SME (small business) policies and entrepreneurship policies.

Three major areas of differences between the two types of policies were identified by Lundström and Stevenson (2005:51). These differences are:

- the focus on individuals versus firms;
- the focus on pre-start-up versus post-start-up support (entrepreneurship development versus business development); and
- a broad versus narrow definition of which institutional structures constitute the 'support environment'.

Thorpe *et al.* (2005:257) found that policies encouraging entrepreneurship and economic regeneration need to be:

- more flexible and sensitive to the often complex contexts within which knowledge is used by SMEs;
- sensitive to the entrepreneur's and manager's capabilities, experience and identity, and also to the specific context and activity in which the SME is embedded and engaged; and
- understand the aims, objectives and motivations of entrepreneurs and managers since they have a significant influence on the firm's activities.

Audretsch (2005:32) puts forward that an entrepreneurship policy has a much broader focus than an SME policy. Also, entrepreneurship policy can be distinguished from an SME policy in the following two ways:

The first is the breadth of policy orientation and instruments:

- While SME policy has a focus on the existing stock of SMEs, entrepreneurship policy is more encompassing in that it includes potential entrepreneurs as well as the existing stock of SMEs. This suggests that entrepreneurship policy is more focused on the process of change, regardless of the organisational unit, whereas SME policy is focused exclusively on the enterprise level.

Secondly, availability of government agencies to promote entrepreneurship:

- Virtually every country has a ministry or governmental agency charged with promoting the viability of the SME sector. These ministries and agencies have by now developed a well-established arsenal of policy

instruments to promote SMEs. However, no such agencies exist to promote entrepreneurship. Part of the challenge of implementing entrepreneurship policy is that no country has yet introduced an agency mandated with the charge of promoting entrepreneurship. Rather, aspects relevant to entrepreneurship policy can be found across a broad spectrum of ministries and agencies, ranging from education to trade and immigration. Thus, while SMEs have agencies and ministries that champion their issues, no equivalent agency exists for entrepreneurship policy.

As mentioned by Gilbert *et al.* (2004:1), entrepreneurship policy also has a greater sensitivity to framework or environmental conditions that shape the decision-making process of entrepreneurs. While SME policy is primarily concerned with one organisational level – the enterprise, entrepreneurship policy encompasses multiple units of organisation and analysis. These range from the individual to the enterprise, and to the cluster or network, which might involve an industry or sectorised dimension, or a spatial dimension – such as a district, city, region, or even an entire country. Just as each of these levels is an important target for policy, the interactions and linkages across these disparate levels are also important. In this sense, entrepreneurship policy tends to be more systematic than SME policy. Additionally, the SME policy is seen to focus on the maintenance of SMEs, whereas an entrepreneurship policy is seen to focus on their growth (Niska & Vesala, 2013:522). A summary of the differences is compiled in Table 2.4.

The role and outcomes of government policies and practices should be examined (Ribeiro-Soriano & Galindo-Martin, 2012:861). Public policy towards business did undergo a profound shift. Specifically, a new set of policies – designed to promote entrepreneurial activity – came to the forefront. The new policies focus on enabling the start-up and viability of entrepreneurial firms rather than constraining existing enterprises. In contrast with traditional policy instruments that worked primarily to constrain big business, contemporary policy instruments or what is referred to as “entrepreneurial policies”, are enabling in nature and centre on new and small businesses (Storey, 2008:7). Additionally, traditional policy instruments were generally implemented at federal level. Entrepreneurship policies are implemented at all levels of governments and are growing in utilisation, warranting greater attention and understanding than is currently available (Gilbert *et al.*, 2004:1).

Table 2.4: Summary of differences between small business policy and entrepreneurship policy

Small business policy	Entrepreneurship policy	References
<p>Focus on firms</p> <p>Focus on post-start-up support</p> <p>Business development</p> <p>A narrow definition of which institutional structures constitute the 'support environment'</p>	<p>Focus on individuals</p> <p>Focus on pre-start-up support</p> <p>Entrepreneurship development</p> <p>A broad definition of which institutional structures constitute the 'support environment'</p>	<p>Lundström and Stevenson (2001:43)</p>
<p>Implemented at federal level</p>	<p>Implemented at all levels of government</p>	<p>Gilbert <i>et al.</i> (2004:1)</p>
<p>Inflexible and insensitive to complex business contexts</p> <p>Insensitive to the entrepreneur's and manager's capabilities, experience and identity</p> <p>Do not understand aims, objectives and motivations of entrepreneurs and managers</p>	<p>More flexible and sensitive to complex business contexts</p> <p>Sensitive to the entrepreneur's and manager's capabilities, experience and identity</p> <p>Understand aims, objectives and motivations of entrepreneurs and managers</p>	<p>Thorpe <i>et al.</i> (2005:257)</p>
<p>Narrow focus</p> <p>Focus on existing SMEs</p> <p>SMEs have agencies and ministries that champion their issues</p> <p>Primarily concerned with one organisational level – the enterprise</p>	<p>Broad focus</p> <p>Focus on potential entrepreneurs as well as the existing SMEs</p> <p>No equivalent agencies and ministries exist for entrepreneurship policy</p> <p>Encompasses multiple units of organisation and analysis</p>	<p>Audretsch (2005:32)</p>
<p>Source: Own compilation.</p>		

The summary of differences in Table 2.4 will serve as a guideline when evaluating South Africa's small business policy to determine the need for an entrepreneurship policy. Next, an international perspective on small business and entrepreneurship policies will be provided.

2.10 INTERNATIONAL PERSPECTIVE ON SMALL BUSINESS AND ENTREPRENEURSHIP POLICIES

In this section, the definition of "SMEs" and "entrepreneurship" is addressed as well as small business and entrepreneurship policies in different countries.

2.10.1 DEFINING SMES IN DIFFERENT COUNTRIES

The actual definition of SMEs varies considerably across countries. It ranges from enterprises with fewer than 500 employees in some of the most developed countries, such as the United States and Canada, to fewer than 250 employees in the European Union (EU), to 50 employees in many developing countries (Preuss, 2011:809). The actual SME policy takes the existing enterprises within the appropriate size class as exogenous, or given, and then develops instruments to promote the viability of those enterprises (Audretsch, 2005:31).

Within a reasonable range of common indicators – such as number of employees, categories, sales volume, and value of assets, Catel-Branco (2003:2) identified the following problem in defining SMEs:

The definition of SMEs is invariably relative to other economic indicators. This is true even for studies discussing SMEs in economies of similar status but different structures – for example, studies about Kenya and Mozambique, and about Taiwan and South Korea, define SMEs very differently, because what is medium and small in each economy depends on factors that are, some of them, exogenous to the defined small and medium firm. While in Korea anything smaller than a *Chaebol* (large conglomerate) could be small and medium, in Taiwan there were no *Chaebols*.

Therefore, since there is no universal concept of SME, it is considered an inadequate analytical tool for economic evaluation and policy making. Additionally, if SMEs are so significantly differently defined, there is little hope for a common set of policies and analytical tools to be successfully developed to address the SME

issue. Given that countries' structures differ, each country (including South Africa) should clearly define its SMEs/SMMEs to be in a position to address policy and other related issues.

2.10.2 SMALL BUSINESS POLICY IN DIFFERENT COUNTRIES

Looking at Europe as a whole, the shift toward SME policy was driven mainly by the larger EU member states, like Germany or France, attempting to solve various economic problems simultaneously. SME policy has gained considerable recognition throughout Europe. Although meaningful differences between European countries exist, the overall outcomes pursued by means of SME policy most commonly fall together with those pursued in the context of the general economic policy. These entail creating employment, fostering economic growth, improving competitiveness and regional/structural development (De, 2000:89). In Nigeria, the problems faced by SMEs necessitated the development of policies to support small business (Tende, 2014:117).

An important element in an active and effective SME policy is to develop good macro-economic conditions. It is not sufficient only to make changes in taxes or labour-market legislation. Greater emphasis should also be placed on creating an understanding of the rules and systems that have been decided upon democratically. A strategy for "marketing" the playing rules in operation could thus become a new element in an effective SME policy (Boter *et al.*, 1999:5).

It is observed that more companies are formed in the US – given roads, communication, and transportation systems, utilities, and economic stability – than in other countries. Even the US tax rate for companies and individuals is better than in countries like Ireland, England, or Germany. Individuals that are encouraged to form new businesses are provided government support to facilitate the creation process.

The following observations were made by De (2000:84) regarding small business policies:

- Policies across the member states in the EU are considerably different because of size, economic structure and approach to economic policy.

- Policies are driven by the larger EU members as they attempt to solve various policies simultaneously.
- SME policy has evolved from regional/structural policy, competition policy and labour policy.
- The recession in the late 1980s and the early 1990s underlined the need to stimulate the creation of new businesses.

These observations should be taken note of in terms of the lessons that can be learnt. SMME development, as pointed out by Ligthelm (2008:368), is one of the South African government's priority programmes. The government recognised that it should continue to help small businesses by addressing their changing circumstances and finding ways to improve their operating conditions. Constraints to new entrants in the SMME sector need to be unblocked through the provision of adequate support to ensure that SMMEs survive the harsh introduction to the stiff competition of big business in the mainstream economy (dti, 2005a:ii). The development of the small business sector is deemed important for its job creation potential (Webb, 2007:1).

2.10.3 DEFINING ENTREPRENEURSHIP IN DIFFERENT COUNTRIES

Numerous definitions are available to describe "entrepreneurship". The field of entrepreneurship is a multi-disciplinary concept according to Herrington (2008:50) and can make the application and implementation thereof difficult. A summary of definitions of entrepreneurship by different authors from different parts of the world was presented in Table 1.3 (Chapter 1). Entrepreneurship is seen as the successful creation of high-growth firms (Davis, 2006:73).

Entrepreneurship differs between developed and developing countries (Schøtt & Jensen, 2008:203). Kirby (2003:60) maintains that entrepreneurship is often only weakly developed in the least-developed economies, possibly reflecting the influence of socio-cultural and political factors. At least this appears to be true in the sense of formal entrepreneurship (that is, the entrepreneurship that manifests itself in the creation of new small businesses).

Each place or country has to assess which policies, programmes and ideas will contribute in an optimal way to innovative economic growth. With regard to

entrepreneurship, both formal or regulative institutions such as policy- and economic-related rules and organisations and informal institutions – such as norms and values of a society – influence the extent of entrepreneurship as well as the nature of actions taken by entrepreneurs (Luiz & Mariotti, 2011:62). Examples of formal institutions influencing entrepreneurship include the political and economic constitution, the legal framework and the financial system. Informal institutions refer to code of conduct, values and norms. Individual behaviour is regulated by those attitudes that are not coded but are rooted in a society (Welter, 2005:94).

2.10.4 ENTREPRENEURSHIP POLICY IN DIFFERENT COUNTRIES

While references to entrepreneurship have appeared throughout economic literature for some time, explicit interest in “entrepreneurship policy” by governments and international organisations such as the Organisation for Economic Co-operation and Development (OECD) have emerged more recently (Davis, 2006:69). For a global and knowledge-based economy, an entrepreneurship policy is likely to emerge as the most important policy instrument.

In the USA new policy instruments had to be developed to deal with the results of globalisation which comprise job losses and stagnating local and regional economies. Entrepreneurship became a focal point as an engine of economic development. It was introduced as a new public policy agenda and was implemented at all levels of government (Gilbert *et al.*, 2004:313).

Entrepreneurship policy is deeply imbedded in the current European policy approach that the creativity and independence of entrepreneurs can contribute to higher levels of economic activity (van Stel *et al.*, 2007:2). It is utilised to deal with challenges such as the deficit of high growth in small businesses. The aim is to stimulate weak economies to grow. It is also a means to address the injustices of social and economic exclusion in richer countries (Walburn, 2005:90).

According to Grimm (2005:145), the current German government has widely accepted the view that economic growth is interdependently correlated with a favourable entrepreneurial environment and sees it as a major task to implement

new policies for the promotion of start-ups and entrepreneurs. Therefore, the federal government initiated several programmes and tried to improve the political framework conditions for entrepreneurs and for SMEs in order to open up new employment opportunities and create additional entrepreneurial dynamism. This entailed the design and implementation of a huge variety of new loan and support programmes for potential entrepreneurs during recent years.

The focus of entrepreneurship policies and the number of public subsidies in the USA and in Germany for the promotion of entrepreneurship are very different at a comparative level. Whereas the US approach to facing the challenges of globalisation seems to result in a strong promotion of regional and local public policies for entrepreneurship, the German approach is still to favour state and federal assistance programmes and public policies. Additionally, the US lags parts of Europe in Entrepreneurship / Small Business policy research. There are no organisations that are equivalent to the Swedish Foundation for Small Business Research or the Entrepreneurship and the Small Business Research Institute (also in Sweden). Government support for policy research often found elsewhere does not exist in the United States, particularly in recent years (Grimm, 2005:165).

Entrepreneurship policy that is operating in both Europe and North America, as stated by Walburn (2005:92), addresses a wider range of objectives, extending to poverty reduction and social justice. In the context of regional and local areas, it includes a huge number of initiatives to support SMMEs at varying stages in their development by increasing the availability of finance, technical assistance and other support, to levels that commercial markets operating on their own will not deliver.

There are also policies directed at entrepreneurs themselves within any entrepreneurial framework. These affect individual decisions to “take a job or make a job” – that is, to work for someone else or make the riskier, but potentially more profitable, choice and launch an enterprise (Acs & Szerb, 2006:116).

In the 1990s, policy shifted towards promoting high-technology entrepreneurship in Korea. New entrepreneurial policies resulted in the introduction of specific purpose credit funds to foster venture capital for high-technology start-ups. In addition,

numerous programmes were introduced to assist mature small firms to update their technology. An ambitious system for identifying and providing various kinds of support for “promising SMEs” was established. Various tax breaks to small firms, such as accelerated depreciation allowances, deductions from taxable income, tax moratoria, and tax rate reductions, were also implemented (Gilbert *et al.*, 2004:7).

In a review by Kirby (2005:557) of Lundström and Stevenson’s (2005) book entitled “Entrepreneurship Policy: Theory and practice” in which the authors undertook a study of what governments in ten countries are doing to stimulate entrepreneurial activity at the national level, noteworthy findings were made. The ten countries were Australia, Canada, Finland, Ireland, the Netherlands, Spain, Sweden, Taiwan, the UK, and the USA. These ten countries were selected on the basis of their diversity, in particular their different cultural and socio-economic contexts, as well as the focus on entrepreneurship as a vehicle for economic development. The study revealed that, in most cases, the policies to stimulate entrepreneurship have been added on to existing SME policies or, to a lesser extent, incorporated within innovation policy frameworks. Accordingly, they are able to identify a four-fold typology of entrepreneurial policy approaches, namely:

1. Policies to improve access to start-up support services and financing (“E-Extension policies”)
2. Policies in favour of reducing barriers to entry and exit (“New firm creation policy”)
3. Policies tailored to increasing entrepreneurial activity amongst specific groups of the population (“‘Niche’ target group policies”)
4. Policies to strengthen entrepreneurial culture, climate and capacity (“‘Holistic’ entrepreneurship policy”).

The authors conclude that only in three countries (Finland, Netherlands and the UK) is a “holistic” policy approach adopted that integrates the other three types. This is the most comprehensive type intended to increase entrepreneurial activity. Davis (2006:73) confirms that numerous other OECD and EU countries have been developing holistic approaches to developing and assessing entrepreneurship policies and programmes.

van Stel *et al.* (2007:2) found that, whilst labour market regulations may reduce entrepreneurship rates, there is no significant impact of most entry-regulation measures identified by the World Bank's "Doing Business" study published some six years later (The World Bank Group, 2013a). The only exception is the minimum capital requirement for starting a business which government imposes – which does have an impeding effect on the nascent entrepreneurship rate across countries. Differences between determinants of opportunity and necessity entrepreneurship also emerge.

In order to be creative, an entrepreneur needs to operate in an environment which guarantees freedom and acceptance (Grimm & Audretsch, 2005:13). Whilst there are many entrepreneurs and potential entrepreneurs, Marchese and Potter (2006:129) draw attention to the real gap which is in developing and supporting those entrepreneurs who can innovate, export and generate new income for the countries and localities in which they are located.

2.11 CONCLUSION

It is not easy to describe the entrepreneurial venture (Kirby, 2003:210). For this reason, many entrepreneurship texts do not distinguish clearly between a small business and an entrepreneurial venture. If this is the case with researchers and academics, one cannot blame policy makers who may experience similar difficulties and dilemmas. As a solution to their predicament, both types of ventures are treated and regarded as more or less the same. Ultimately, policies that are created do not attach importance to the fundamental differences, as discussed in the chapter between small businesses and entrepreneurial ventures.

Entrepreneurship is the mechanism through which economic growth takes place, but institutions (such as the policy environment) are what allocate entrepreneurial efforts toward productive or unproductive activities by influencing the relative incentives and payoffs offered by the economy to such activities. Government policies shape institutional structures for entrepreneurial action, encouraging some activities and discouraging others (Minniti, 2008:781). Indeed, a consistent institutional environment, according to Welter (2005:109), allows entrepreneurs to shift from a muddling-through approach to more pro-active entrepreneurial

behaviour, as they no longer need to focus their scarce resources on solving day-to-day problems caused by government.

In recent years there has been a growing interest in the use of public policy to boost entrepreneurship in Europe. Policies to promote entrepreneurial activity are not unique to the US. Even so, the development and implementation of policies to promote entrepreneurship in other countries were perhaps, at least to some degree, triggered by the growing awareness of the positive impact of entrepreneurship on regional competitiveness in certain US areas (Gilbert *et al.*, 2004:6).

In considering policy intervention, it is important that policy makers are able to provide a theoretical justification as to why the intervention is pertinent. Interventions include constructing policies that aim to create an enabling environment for existing and potential small business owners and entrepreneurs. It should also provide access to finance, guidance and advice for a small business or entrepreneurial venture. This justification can prevent governments from wasting resources and simultaneously serve as a control measure for future evaluation of the policy intervention. Improved economic performance should be based on specific expected outcomes, such as employment and Gross Domestic Product (GDP) rates (Potter, 2005:105).

CHAPTER 3: THE SOUTH AFRICAN SMALL BUSINESS SECTOR AND POLICY

3.1 INTRODUCTION

The Government of the Republic of South Africa maintains that they will continue to lead efforts to increase the level of entrepreneurship through supporting new and small business creation. Despite these repeated commitments, it was not happening without delays according to Blaine and Vecchiatto (2011:1). The small business sector, where the majority of start-up and established businesses can be found, is still not providing the job opportunities at the required speed (Peyper, 2012:1; Themba, 2012:5). Government is mindful that this important task cannot be successfully undertaken by one role player alone. Kohler (2012:9) and Cutifani (2012:5) agree that business cannot continue to treat new and small business creation as the concern of the government alone. The latter party, as politicians, can only create the conditions that support businesses to grow and generate real jobs. Neither party can solve this problem in isolation. Partnerships between government, various stakeholders and role players remain a critical success factor to ensure sustainable and lasting change (Gwija *et al.*, 2014:63). The Government of the Republic of South Africa has been encouraged by the increasing involvement of the corporate sector, organised business, private financing institutions, non-governmental organisations, universities as well as media efforts in fostering entrepreneurship and small business. They appreciate these efforts and call for even more of these collaborations (dti, 2005b:iii).

Minniti (2008:781) asserts that the formal and informal rules to engage in the entrepreneurial field are laid down by the institutional environment. It can either restrain an individual from pursuing a business or possibly reduce the uncertainty that accompany such a decision. Consequently, institutions (and the policies that shape them) are crucial in determining entrepreneurial behaviour (Ijeoma &

Matarirano, 2011:863; Peters & Naicker, 2013:13). This realisation has generated a significant amount of interest in how government policies may be instrumental in fostering entrepreneurial activity, and whether their effects may be consistent across countries (Acs & Szerb, 2006:111; Audretsch, 2005:21; Lundström & Stevenson, 2001:137; Kirby, 2005:558).

In South Africa, the overly restrictive government policies make it very difficult for the small business sector to realise its full potential (Peyper, 2012:1; The Editor, 2013:20). Government policies and programmes need to be evaluated from time to time, not only because it is expected protocol but also due to the fact that it is among the most frequently cited factors that limit entrepreneurship in South Africa (Shevel, 2012:9). A policy evaluation is a systematic judgement or assessment of policy programmes. It can include a systematic assessment of resources, organisational processes to convert such resources into policy outputs or products, and the extent to which these policy programmes have the intended results in the form of outputs, outcomes or impacts, measured against envisaged goals and objectives (Cloete, 2009:295).

In this chapter the small business sector and policy of South Africa will be examined. Firstly, the state of South Africa's business environment is reviewed. Secondly, the small business in the local context will be defined as well as the size of the sector addressed. Furthermore, the major constraints facing small businesses will be identified and discussed. Thirdly, the small business policy will be focused on in terms of the different strategies that were formulated and implemented such as the national strategy for the development and promotion of small business; and the integrated small enterprise development strategy. The key support institutions will also be highlighted. Finally, the small business policies of the selected provinces will be concentrated on by looking at each province's objectives and programmes.

3.2 THE STATE OF SOUTH AFRICA'S BUSINESS ENVIRONMENT

Firstly, South Africa's business environment is considered in terms of the state of the national economy, the country's global competitiveness ranking and the ease of doing business. Secondly, the small business sector and policy that influences it

are reviewed and compared to other developing countries. Finally, the provincial small business policies will be contemplated to determine the influence of the local context on venture creation.

3.2.1 THE NATIONAL ECONOMY

South Africa is one of the most sophisticated, diverse and promising emerging markets globally. Strategically located at the tip of the African continent, South Africa is a key investment location, both for the market opportunities that lie within its borders and the opportunity that exists to use the country as a gateway to the rest of the continent, a market of nearly one billion people. Trade and industry is undertaken within the framework of a free enterprise economy (SAinfo Reporter, 2013:1). At first glance, South African economic statistics make for impressive reading. The country is ranked as an upper-middle-income economy by the World Bank; it has Africa's largest economy and the 26th largest in the world; it ranked fourth out of sixty-six emerging markets; the banks are ranked the second most sound in the world (Themba, 2012:5).

Makgetla (2009:17) states that the structure of the South African economy left it particularly vulnerable to the recent global downturn. Despite significant reductions in poverty and unemployment in the 2000s, the economy is still characterised by unusually low levels of employment and deep social inequalities. By international standards, South Africa's unemployment and poverty levels remain disproportionately high for a country with a relatively high level of per capita income. Growth, job creation and poverty alleviation are thus pressing priorities, both economically and politically (Herrington *et al.*, 2010:31).

The estimated GDP growth for 2013 has been downgraded by the World Bank and International Monetary Fund to just 2 % in 2013 and 3.2 % in 2014 – due to a combination of domestic and external risks. Some of the reasons include the delays in providing large-scale electricity generation, volatile labour relations and a deceleration in household spending (Ethekewini Municipality, 2013:7). This is far from the suggested growth rate by Zille (2012:5) who asserts that the country's economy should grow at least by 8 % a year if it wants to successfully tackle poverty, unemployment and inequality.

Ebrahim Patel, the Minister of Economic Development, notes:

We need to build a dynamic and competitive economy. Our competitiveness is defined by things like innovation and the new ideas that are developed, better products, quality, higher levels of productivity of labour and better levels of management (Masote, 2012:7).

3.2.2 SOUTH AFRICA'S GLOBAL COMPETITIVENESS RANKING

The Global Competitiveness Index (GCI), as used in *The Global Competitiveness Report 2013-2014* (Schwab, 2013:1) is a comprehensive tool that measures the micro-economic and macro-economic foundations of national competitiveness. The GCI defines competitiveness as “the set of institutions, policies, and factors that determine the level of productivity of a country.” The level of productivity, in turn, determines the level of wealth that can be created by an economy (Schwab, 2013:4).

According to the 2012 World Economic Forum's global competitiveness ranking, South Africa ranked 52 out of 144 countries (eThekweni Municipality, 2013:7). In 2013 South Africa was ranked 53rd, overtaking Brazil to take second place among the BRICS¹ countries. *The Global Competitiveness Report 2013-2014* (Schwab, 2013:16) states that China is the most competitive of the BRICS quintet, at 29th position on the GCI. Brazil fell eight places to 56th, India was 60th and Russia 64th (Schwab, 2013:16). South Africa came first on a number of measures such as the strength of auditing and reporting standards, and efficacy of corporate boards. Hazelhurst (2013:1) reported that South Africa performed poorly on the quality of education (146th), labour market efficiency (116th) and extremely rigid hiring and firing practices (147th).

3.2.3 DOING BUSINESS IN SOUTH AFRICA

In determining the state of South Africa's business environment Simrie *et al.* (2012:14) and Shevel (2012:9) refer to the Doing Business Report which is conducted annually by the World Bank. This report measures the time, cost and hassle for businesses to comply with legal and administrative requirements.

¹ **BRICS** is the acronym for an association of five major emerging national economies: **Brazil, Russia, India, China** and **South Africa**.

Different countries are ranked according to the ease of doing business in each country, as defined by its performance in ten aspects: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

In 2010, on the overall Ease of Doing Business Indicator, South Africa outscores many successful emerging market economies, including Argentina, Brazil, Chile, and China, and is not too far behind peers such as Malaysia and Thailand. These countries are South Africa's natural peers in many ways. All are middle-income economies and many are resource-rich. All are also relatively high-performing, and have recently undergone significant export-driven industrialisation. It is easier to set up or close a business in South Africa than in most peer group countries. Getting credit is also easier for South African firms than for those in most other countries in the group (The World Bank Group, 2010b:4).

In 2012, South Africa was ranked 35th out of 183 countries, a noteworthy achievement within the context of the Southern African Development Community's regional average rank of 114 out of 183. South Africa moved up two spots to rank 39th out of 185 countries in the World Bank and International Finance Corporation's Doing Business 2013 report. South Africa fell between developed countries such as France (34) and Spain (38), and above major developing economies such as Mexico (48), China (91), Russia (112), Brazil (130) and India (132) (The World Bank Group, 2013a:3; SAinfo Reporter, 2013:1).

In the *Doing Business 2014 report*, South Africa ranks 41st out of 189 countries. The following salient findings with regards to starting a business in South Africa are (The World Bank Group, 2013b:1):

- It takes approximately five procedures and 19 days to start a business.
- The process of starting a business has been made easier with the implementation of the new company law, which removed the requirement to reserve a company name and simplified the incorporation documents.

In terms of the cost of doing business, South Africa's exchange rate makes it one of the least expensive countries for foreigners to live and do business in – with a

first-world infrastructure and high living standards ensuring good value for money (SAinfo Reporter, 2013:1).

3.3 SMALL BUSINESS SECTOR IN SOUTH AFRICA

In the next section, "small business" in South Africa is defined, its size discussed and compared with other developing countries. The sector's major barriers are identified and summarised.

3.3.1 DEFINING SMALL BUSINESS IN SOUTH AFRICA

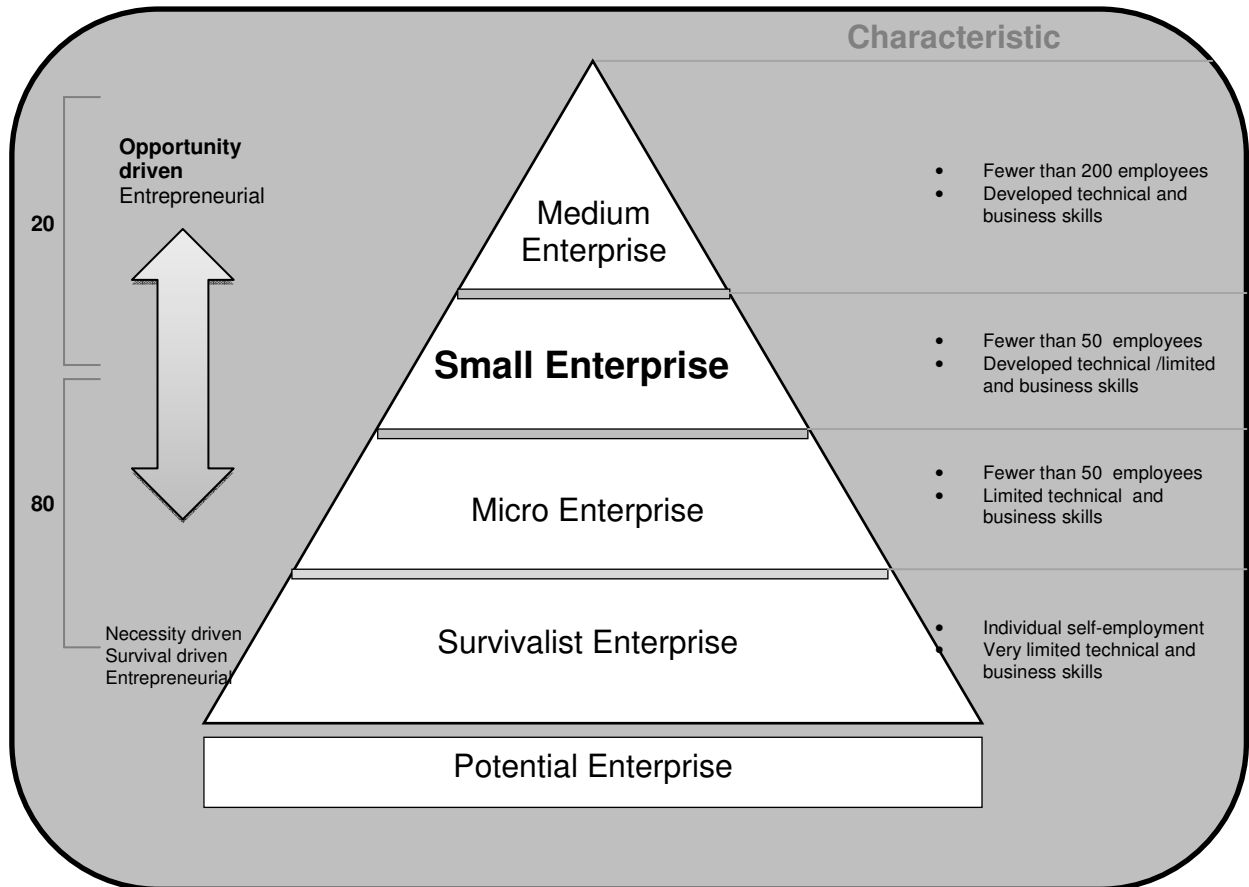
An official definition of small business in South Africa is stipulated in the National Small Business Act 102 of 1996 (Act No. 102) (as amended). The definition (**dti**, 2003:8) is:

Small business in a South African context can be defined in a way that combines economic and statistical characteristics. A small business is one that

- Is independently owned, managed and controlled;
- Is not dominant in its field of operation; and
- Employs fewer than 50 people, with a turnover not exceeding R5 million per year.

The same definition applies to this research study. The different categories and characteristics of small business are highlighted in Figure 3.1.

The category of SMMEs comprises a range of businesses from potential, survivalist and micro enterprises (which are outside the formal economy), through to very small, small and medium enterprises. Government interventions tend to focus on this latter group of very small, small and medium enterprises, which are considered to have the potential for expansion (Hand, 2009:1). Businesses are classified into micro, very small, small and medium using the following criteria in respect of the different sectors of the economy: total full-time paid employees; total annual turnover; and total gross asset value (excluding fixed property).



Source: SEDA (2008:38)

Figure 3.1: Categories of small business in South Africa

3.3.2 SIZE OF THE SMALL BUSINESS SECTOR IN SOUTH AFRICA

The government acknowledges that from a macro perspective, combining formal and informal sector activities, the small enterprise sector includes a substantial number of all enterprises in South Africa. Far-reaching structural adjustments in the capital-intensive larger enterprises have led to even more increases in the employment share of small enterprises. Economists estimate that SMMEs are able to create between 70 % to 80 % of jobs in South Africa as they are not dependent on skills and infrastructure as big businesses (Peyper, 2012:1). Of all the socio-economic challenges South Africa faces, unemployment is the most dispiriting in the short term, and potentially debilitating in the long term (Cutifani, 2012:5).

Therefore, government aims to create five million jobs by 2020 as mapped out in their programme called the New Growth Path. Many of these jobs most probably

have to be created by small businesses (Masote, 2012:7). This will be possible according to Nazeem Martin, the Managing Director of Business Partners, who states:

Statistical surveys indicate that more than 50 percent of people in formal jobs are employed by SMEs, and more than 60 percent of new jobs created every year are created by SMEs (Ryan, 2012:21).

During 2010 there were 5 979 510 small businesses in South Africa according to the 2010 Finmark Trust Finscope Small Business Survey, which is a marked increase from government's last recorded figure of approximately 2.2 million in 2006 (Simrie *et al.*, 2012:17). Additionally, the survey reported that small businesses could create 2.5 million jobs in South Africa by 2020. Finmark Trust believes the government could take about 500 000 people off social grant schemes if it supported small businesses more actively (Timm, 2011:9; Themba, 2012:5).

D'Angelo (2010:6) and Barron (2009:7) observed that despite the amount of small business activity available, South Africa still does not fare very well as an entrepreneurial nation when compared to other countries around the globe. South Africa even lags behind other developing countries in encouraging more successful entrepreneurs, start-up as well as established businesses. This is reflected in the GEM 2012 report (Turton & Herrington, 2013:53) which reported that the start-up or new business ownership rate in South Africa is 7.3 % whereas the established business ownership rate is 2.3 %.

3.3.3 SOUTH AFRICA'S SMALL BUSINESS SECTOR SIZE VERSUS THE SIZE OF OTHER DEVELOPING COUNTRIES

Davies (2011:9) cites that South Africa's peers include the members of the BRIC grouping of states – the first-tier emerging market economies of Brazil, Russia, India and China. Additionally, South Africa faces global competition from other emerging market peers such as Mexico, Ethiopia, Indonesia and Poland. They are all leading emerging markets in their own right.

Many studies in entrepreneurship (Bruton *et al.*, 2008:11) have tended to assume that entrepreneurs think and act similarly irrespective of where they are located. In

this view, there is little significant diversity in the cultural and institutional contexts of different countries where entrepreneurs operate. However, this is not the case in practice. The desire to become entrepreneurs is undeniably derived from the individual's culture, subculture, family, teachers, and peers. It must be present before any action is taken (Hisrich, Peters & Shepherd, 2008:58). Besides this, entrepreneurs generally act differently depending on their institutional setting. As stated by Barron (2009:7), only seven (7) out of every 100 people in South Africa are in the process of starting or running a new business. This figure should be in the region of 13 because the average is 11 in our peer countries such as Argentina, Chile, Brazil and Peru. The GEM data indicate that South Africa lags behind other developing countries in terms of promoting the growth and sustainability of small businesses. A disturbing trend is the low prevalence rate of new and established firms (Herrington *et al.*, 2010:153; Luiz & Mariotti, 2011:49).

Laing (2008:1) also reported that South Africa's per capita gross domestic growth over the past few years seems impressive, but it only beats Brazil out of the OECD's five "enhanced engagement" countries currently seeking to join its thirty existing members. The advantages for South Africa in joining the OECD was regular reports such as this, which would help the country measure itself against its peers and share their experience at tackling similar problems. Adopting more pro-competition policies would help South Africa bring down inflation and create jobs.

South Africa's TEA rate is below average when compared to other participating efficiency-driven economies. The country's overall ranking in the last decade of participating in the GEM has shown negligible improvement. This is a significant finding, especially within the context of the country's stature on the continent, as well as the progress it has made over the last decade with regard to economic policy and programmes aimed at stimulating economic growth. When viewed within the context of the rates of entrepreneurial activity in comparable economies around the world, South Africa's performance with regard to TEA appears even more dismal (Simrie *et al.*, 2012:18).

Early-stage entrepreneurial activities in South Africa are not sufficient to sustain growth rates of the kind the country needs to fuel its accelerated growth and development plan.

According to the GEM 2009 report (Herrington *et al.*, 2010:34), South Africa's TEA rate was 5.9 %. The country's international cohorts performed three to four times better over the same time period. These cohorts with their TEA rates encompass Argentina (14.7 %), Brazil (15.3 %), Chile (14.6 %) and China (18.8 %). In 2010, South Africa's TEA rate was 8.9 % and in 2011 it was 9.1 % which is far below the average of similar economies (Simrie *et al.*, 2012:4). South Africa's TEA rate decreased from 9.1 % in 2011 to 7.3 % in 2012 and this is still significantly below the average of efficiency-driven countries (14.3 %) such as Brazil and Chile (Turton & Herrington, 2013:7).

The economic implications of these findings paint a bleak picture of the South African SMME sector's current potential to contribute meaningfully to job creation and economic growth (Herrington *et al.*, 2010:153; Turton & Herrington, 2013:17). The global financial crisis and the recession in the local economy had resulted in about one-million jobs being shed in 2009. South Africa's unemployment level breached the 25 % mark in the first quarter of that year. Nearly 5.5 million people – one in every six adults – were then out of work in South Africa. Unemployment at this level is one of the most important causes of poverty and inequality, and contributes to political instability (Bernstein & Dagut, 2009:10; de Bruyn, 2010:25).

During the first quarter of 2013, Statistics South Africa reported that unemployment was more than 25 %. While the economy should be absorbing new entrants into the job market, the present economic climate is unable to deliver these expectations. It is reported that the number of unemployed among young people under the age of 25 is around 50 % (Hazelhurst, 2013:19; eThekweni Municipality, 2013:7; Statistics South Africa, 2013:v). Only one in eight working-age South Africans under the age of 25 has a job (Kohler, 2012:9).

Given South Africa's very high unemployment rate, improving policies and schemes that increase the number of individuals that pursue entrepreneurship as

a positive employment choice are vital. Barriers to entry, as highlighted in Table 3.1., also need attention with the aim of dealing with it to the advantage of small businesses and entrepreneurs (Laing, 2008:1; Simrie *et al.*, 2012:5).

3.3.4 MAJOR BARRIERS FACING THE SMALL BUSINESS SECTOR

Many researchers have embarked on identifying the major barriers faced by the small business sector as illustrated in Table 3.1. According to Diale (2009:195) small businesses compared to big business worldwide, faces a wide range of barriers, constraints and problems, even in effective functioning market economies. These constraints mainly relate to legal and regulatory environment, access to markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, quality of business infrastructure in poverty stricken areas and, in some cases, the tax burden.

At the top of the list of barriers facing small businesses, is the difficulty of access to finance as depicted in Table 3.1. Financial products should be customised to the needs and capabilities of the small business sector. Access to finance is a significant business environment issue for the SME sector as well. Although this is by no means unique to South Africa, the access gap between SMEs and larger firms is far greater in South Africa than in most of its peer group countries (The World Bank Group, 2010b:1). There are already important instances of these on the ground, but far more are needed to produce visible impact in terms of job creation and the growth of the SME sector.

In addition to access to finance, problems with crime and theft, access to land, and lack of transport are significant barriers. An inadequately trained workforce coupled with restrictive labour regulations, and inefficient government bureaucracy were all identified as major barriers for small businesses in South Africa (Herrington *et al.*, 2010:33). Ryan (2012:21) reports that labour laws at national level are regarded as exceptionally harsh and restrictive by start-up and established business owners.

Table 3.1: Major barriers facing the small business sector

BARRIERS FACING SMALL BUSINESS SECTOR	REFERENCE
Access to financing	<ul style="list-style-type: none"> ▪ Herrington <i>et al.</i> (2010:33) ▪ Barron (2009:7) ▪ Diale (2009:195) ▪ The World Bank Group (2010a:14) ▪ eThekwini Municipality (2013:4)
Inadequately educated workforce	<ul style="list-style-type: none"> ▪ Herrington <i>et al.</i> (2010:33) ▪ Barron (2009:7) ▪ Themba (2012:5)
Restrictive labour regulations	<ul style="list-style-type: none"> ▪ Herrington <i>et al.</i> (2010:33) ▪ Ryan (2012:21) ▪ The World Bank Group (2010a:14) ▪ Simrie <i>et al.</i> (2012:44) ▪ Peyper (2012:1)
Inefficient and too much government bureaucracy: <ul style="list-style-type: none"> • Red tape • Rising compliance costs • Onerous administrative requirements • Arduous legislative requirements related to registering and starting a business 	<ul style="list-style-type: none"> ▪ Diale (2009:195) ▪ Herrington <i>et al.</i> (2010:33) ▪ Barron (2009:7) ▪ Peyper (2012:1) ▪ Davie (2012:18) ▪ Simrie <i>et al.</i> (2012:44) ▪ eThekwini Municipality (2013:4)
Inability of small businesses to compete with large firms with regard to price, quality and availability of goods and services	<ul style="list-style-type: none"> ▪ Simrie <i>et al.</i> (2012:43)

BARRIERS FACING SMALL BUSINESS SECTOR	REFERENCE
Crime and theft	<ul style="list-style-type: none"> ▪ Herrington <i>et al.</i> (2010:33) ▪ The World Bank Group (2010a:14)
Poor work ethic in national labour force	<ul style="list-style-type: none"> ▪ Herrington <i>et al.</i> (2010:33) ▪ eThekwini Municipality (2013:4)
Access to land and business premises	<ul style="list-style-type: none"> ▪ Diale (2009:195) ▪ The World Bank Group (2010a:14)
Access to markets	<ul style="list-style-type: none"> ▪ Diale (2009:195)
Lack of transport	<ul style="list-style-type: none"> ▪ The World Bank Group (2010a:14)
Corruption	<ul style="list-style-type: none"> ▪ Herrington <i>et al.</i> (2010:33)
Inadequate supply of infrastructure	<ul style="list-style-type: none"> ▪ Herrington <i>et al.</i> (2010:33) ▪ Diale (2009:195)
Low levels of entrepreneurial education and talent	<ul style="list-style-type: none"> ▪ Diale (2009:196) ▪ Themba (2012:5) ▪ eThekwini Municipality (2013:4)
Lack of business skills	<ul style="list-style-type: none"> ▪ Diale (2009:195) ▪ Timm (2011:9) ▪ Themba (2012:5) ▪ eThekwini Municipality (2013:4)
Lack of financial management skills	<ul style="list-style-type: none"> ▪ Timm (2011:9) ▪ Themba (2012:5) ▪ eThekwini Municipality (2013:4)
Rising input costs (electricity prices, municipal rates and services)	<ul style="list-style-type: none"> ▪ eThekwini Municipality (2013:4)
Access to appropriate technology	<ul style="list-style-type: none"> ▪ Diale (2009:195)
Source: Own compilation.	

There is a perception that people can be hired, but they cannot be fired even if they are not productive. The laws feed this perception (Peyper, 2012:2).

Government intervention is having an increasingly negative impact on the economy. Due to the many changes to laws and regulations, heavy costs are imposed on private enterprises, strangling them with “red tape” and rising compliance costs. Furthermore, labour laws are still hampering economic growth by discouraging SMMEs from employing. SMMEs display a low average confidence level with regards to labour laws contributing towards the growth of business in South Africa. Even though South Africa has some of the most advanced and developed labour laws, boding well for individuals currently in employment, entrepreneurs feel this does little for the unemployed in the country. It often inhibits SMMEs from employing more people (Ryan, 2012:21). In this regard, government is still trying to make it simple for SMMEs to thrive and grow (Chabane, 2009:8).

Factors, such as lack of business and financial management skills (Neneh & van Zyl, 2012:138), also make it difficult for small enterprises in South Africa to expand or for entrepreneurs to start up. Table 3.1 also highlighted the constraints that the small firms had to face such as rising input costs (electricity prices, municipal rates and services). Low levels of entrepreneurial talent by adult South Africans also made the list. Policy initiatives to support SMMEs – such as credit guarantee schemes, entrepreneurship training, business incubation and technology assistance – have not yet had the desired effect (eThekweni Municipality (2013:4).

Most experts agree that South African market dynamics discourage people from starting small businesses, and hamper the growth of existing small enterprises (Simrie *et al.*, 2012:43). This is even more challenging if the person is inappropriately qualified when trying to start a business through necessity rather than opportunity, and who generally does not meet the standard required to ensure sustainability.

3.4 SOUTH AFRICA'S SMALL BUSINESS POLICY

In the following section policy elements are defined, the different government strategies entailing South Africa's small business policy are described and compared, and the key support and development finance institutions are discussed. Other government interventions to support small business are mentioned briefly.

3.4.1 POLICY ELEMENTS

A policy can be defined as a plan of action agreed or chosen by a political party or organisation. It is a principle that one believes in that influences how one behaves (Hornby, 2000:899). Rue and Byars (2007:118) have the same opinion that policies are broad, general guidelines to action. Policies usually do not dictate exactly how something should be done, but they do set the boundaries within which it needs to be done. A major purpose of policies is to ensure consistency in the decisions and actions taken throughout an organisation.

From the perspective of Boter *et al.* (1999:1), the role of an SME policy is to bridge over market imperfections via financial support, information and advisory services. Cloete (2009:294) defines a policy as a programme of action to give effect to specific goals and objectives aimed at changing (and preferably improving) an existing unsatisfactory situation. After drawing attention to the vast number of different barriers facing the small business sector, an effective policy is of extreme importance to change and improve the current unsatisfactory situation. The Presidency describes policies as statements of **what** government seeks to achieve through its work and why (The Presidency, 2007:22). The small business policy of South Africa will be reviewed in the next section to highlight what government has set about to do in the small business sector.

A network of governmental small business support programmes and strategies has evolved in South Africa in recent years – in part under the auspices of the **dti** and local government authorities – and is addressing small businesses' problems (The World Bank Group, 2010a:15). Three strategies were identified from the available literature (**dti**, 1995:16; **dti**, 2005b:iii; DPLG, 2006:23) which entails

South Africa's small business policy. These strategies will only be discussed according to its different aims, objectives, activities and outcomes because it will form the foundation for the policy evaluation. It is not the focus of this study to explore inputs as such. Impacts will be addressed in Chapter 4. Table 3.2 summarises the definitions for aims/objectives, inputs, outputs, outcomes and impact.

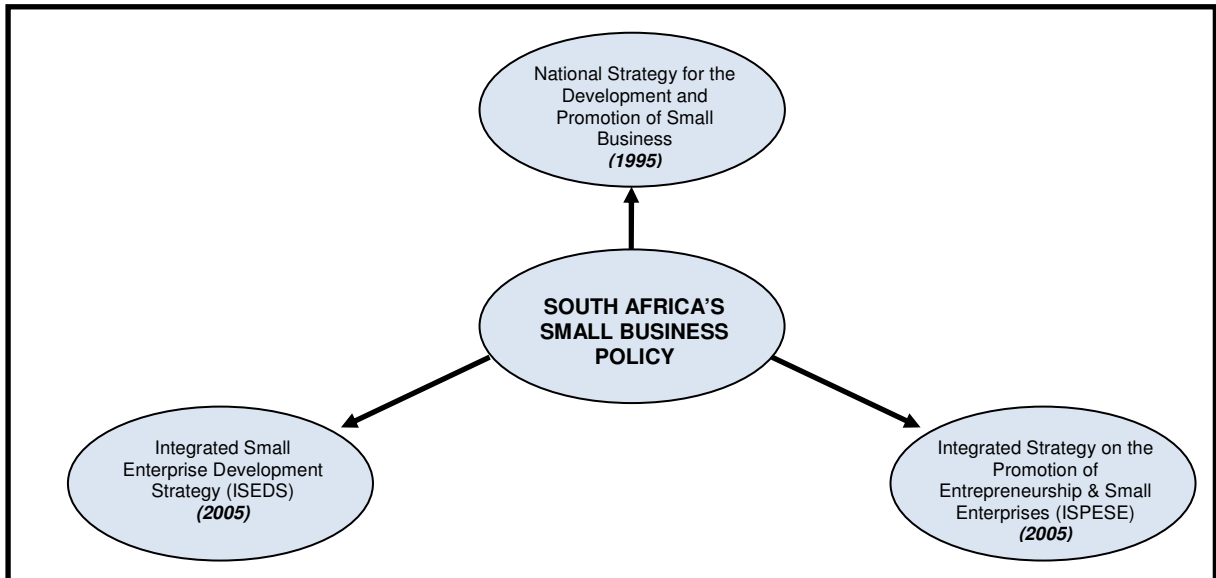
Table 3.2: Defining policy elements

ELEMENT	DEFINITION
Objectives	<i>An "objective" is a statement of a desired measurable result of what is to be achieved in future by the organisation and its employees.</i>
Input	<i>An "input" describes a resource usually human, material, physical or financial that is required for the execution of project / programme activities.</i>
Activities	<i>"Activities" generally relate to the process of transformation or consumption of the inputs which is aimed at generating an output.</i>
Outputs	<i>"Outputs" are the immediate result of the consumption of resources and the completion of all programme / project activities.</i>
Outcomes	<i>"Outcomes" usually relate to behavioural changes in the lives of the targeted beneficiaries of the outputs.</i>
Impact	<i>An "impact" is the resultant improvement, usually in larger society, that is consequent upon sustained outcomes.</i>
Source: Adapted from Ile <i>et al.</i> (2012:83).	

Rue and Byars (2007:113) and Oosthuizen (2006:92) concur that objectives enable the government to focus directly on the targets to be reached within a given period. Government's success depends largely on having a clear understanding of objectives. Similarly, these objectives should be communicated to the officials or practitioners who will actually perform the tasks necessary to achieve them. Objectives should be clear, concise, quantifiable, and measurable whenever possible. They should be detailed enough so that the officials or practitioners implementing them understand exactly what is expected. It will also assist in identifying the appropriate activities required leading to the planned outputs, outcomes and impact.

3.4.2 GOVERNMENT STRATEGIES ENTAILING SOUTH AFRICA'S SMALL BUSINESS POLICY

The different government strategies entailing South Africa's small business policy is depicted in Figure 3.2.



Source: Own compilation.

Figure 3.2: Government strategies entailing South Africa's small business policy

The different strategies were formulated with the focus on strengthening government's effort to transform the economy. The National Strategy for the Development and Promotion of Small Business in South Africa was the first initiative in 1995 taken to formulate a comprehensive policy and strategy on small business development in the country (dti, 2005b:iii). The next strategy, Integrated Small Enterprise Development Strategy (ISED), was introduced in 2005. It constitutes the outcome of a decade of institutional, policy/programme and implementation evolution, which goes much further than the visionary White Paper of 1995 (dti, 2005a:iv). During the same year, Integrated Strategy on the Promotion of Entrepreneurship & Small Enterprises (ISPESE) was implemented (dti, 2005b:24). This is slightly confusing because both strategies are the outcome of a thorough process of review, consultation, research and refinement undertaken from 2003 to 2005. Furthermore, both strategies outline a strategic framework for the National Government's efforts in fostering entrepreneurship and promoting small enterprise in South Africa over the next ten years [2005 to 2014]. The names of the strategies are different, yet ISPESE seems to be an extension of ISED. The individual strategies will be discussed to validate this issue.

Table 3.3 attempts to synthesis the three different strategies entailing South Africa's small business policy. This table summarises the objectives, main activities and outcomes of each individual strategy to identify commonalities as well as differences in the elements between them.

Comparing the primary objectives of the three strategies in Table 3.3, it can be deduced that the government's aim has slightly changed since 1995. It started off with wanting to create an enabling environment, addressing the needs of small enterprises and then moved on to focus on fostering entrepreneurship. It seems as if though government realised that an enabling environment is not the only key factor in stimulating small business development. The historical disadvantaged individuals needed more attention as well high-growth small enterprises. The ISPESE finally acknowledged and added entrepreneurship as the link that was not adequately addressed in the entire SMME sector picture.

There are overlaps between the objectives of the three strategies such as strengthening cohesion between the enterprises and institutions involved in small business support. Target groups such as race, gender, sectors and regions are also a commonality.

In terms of differences, two of the objectives of the ISEDS are to increase the contribution of the enterprises as well as its competitiveness. This was not mentioned in the 1995 national strategy. Entrepreneurship across the entire continuum is also a new objective not covered before. In 1995 one of the objectives was to create long-term jobs whereas in the ISEDS strategy it was changed to sustainable long-term jobs. It could be that government realised that many small businesses tend to struggle the first three years of operating and therefore jobs are not secured.

Most of the activities of the three strategies are intertwined since financial and non-financial support had to be supplied and an enabling legal framework had to be created. To date this is still in the process of being fine tuned. ISPESE added a new activity – namely, creating a demand for small enterprise products and services in an attempt to assist procurement processes. With regard to the outcomes, government became very specific about what they needed to accomplish with the ISPESE strategy.

Table 3.3: Comparing the three strategies entailing South Africa’s small business policy

	National strategy for the development and promotion of small business	Integrated Small Enterprise Development Strategy (ISED)	Integrated Strategy on the promotion of entrepreneurship and small enterprises
Primary objective	Create an enabling environment for small enterprises.	Address the needs of micro-enterprises, small enterprises in high-growth sectors, and small enterprises owned and managed by historically disadvantaged individuals – namely, black people, women, the youth and the disabled.	Ensure that the overall task of fostering entrepreneurship and promoting small enterprises is carried out adequately and effectively.
Secondary objectives	<ul style="list-style-type: none"> • Facilitate greater education of income, wealth and earning opportunities. • Address the legacy of apartheid-based disempowerment of black business. • Support the advancement of women in all business sectors. • Create long-term jobs. • Stimulate sector-focused economic growth. • Strengthen cohesion between enterprises. 	<ul style="list-style-type: none"> • Increase the contribution of small enterprises to the growth of the South African economy. • Create an enabling environment for small enterprises. • Create sustainable long-term jobs in the small enterprise sector. • Ensure equitable access and participation in terms of race, gender, disability, age, geographical location and sector. • Increase the competitiveness of the small-enterprise sector and its enabling environment. 	<ul style="list-style-type: none"> • Ensure integration and improved co-ordination. • Encourage increased private sector participation. • Ensure action across the entire entrepreneurship continuum. • Focus on specific target groups, regions and priority sectors.

	National strategy for the development and promotion of small business	Integrated Small Enterprise Development Strategy (ISEDS)	Integrated Strategy on the promotion of entrepreneurship and small enterprises
Activities	<ul style="list-style-type: none"> • Create an enabling legal framework. • Streamline regulatory conditions. • Provide access to information and service. • Marketing and procurement. • Appropriate technology and finance. • Develop the physical infrastructure. • Develop industrial relations and labour environment. • Provide training in entrepreneurship, skills and management. • Capacity building and institutional strengthening. • Providing differential taxation and other financial incentives. 	<ul style="list-style-type: none"> • Integrate a wider group of institutions to provide access to support and development services. • A more co-operative approach of government towards its partners in the public and private sectors was introduced. 	<ul style="list-style-type: none"> • Increase the supply for financial and non-financial support services. • Create a demand for small enterprise products and services. • Reduce small enterprise regulatory constraints.
Outputs & outcomes	<ul style="list-style-type: none"> • Foundation of small business support services. • Establishment of SEDA (previously Ntsika). • Establishment of Khula. • Policy coordination improved. 	<ul style="list-style-type: none"> • Establishment of SEDA to localise support. • Establishment of SAMAF. • More focused approach by Khula. 	<ul style="list-style-type: none"> • Foster an entrepreneurship culture and increase the enterprise creation rate. • Establish a dedicated network of SMME finance. • Demand created for small enterprise products and services. • Strengthen local network for small business development support services. • Improve small enterprise competencies and delivery capacity. • Strengthen enterprise networks. • Provide necessary support incentives. • Improve regulatory environment. • Entrepreneurship and small business research.
Source: Own compilation.			

Some of the outcomes are actually in line with the 1995 objectives with the exclusion of the entrepreneurship culture, support incentives and entrepreneurship and small business research.

Supporting, developing and growing small businesses are very challenging and government has been tasked with this struggle. In the next section a closer look will be taken at the different key small business support and finance development institutions.

3.4.3 KEY SUPPORT INSTITUTIONS AND DEVELOPMENT FINANCE INSTITUTIONS TO SUPPORT SMALL BUSINESS

Given that there are about six million small businesses in South Africa, according to the recently released Finmark Trust's Finscope South Africa Small Business Survey 2010, well functioning support agencies are vital. Especially as many of these are very small survivalist enterprises that employ few or only one person, they need intense long-term support to develop into sustainable businesses (Isa, 2011:1). The section is divided into the key support institutions and the national development finance institutions responsible for implementing the small enterprise development strategy.

3.4.3.1 KEY SUPPORT INSTITUTIONS FOR IMPLEMENTING THE SMALL BUSINESS POLICY

The government has been establishing a number of key institutions over the past decade with the primary objective to create an enabling environment for small enterprises (dti, 2005a:7). The key support institutions presently in existence and its role towards small enterprise development are displayed in Table 3.4.

SEDA's focus shifted from helping sophisticated, high-growth businesses to entrepreneurial awareness-raising among the unemployed and support for informal and back-yard businesses. SEDA's mandate is to focus 80 % of its efforts on

new businesses being formed; micro businesses striving to achieve sustainability; and very small business striving to become viable in the first economy (Terblanche, 2011:11).

Table 3.4: Key support institutions for implementing the small business policy

KEY SUPPORT INSTITUTIONS FOR STRATEGY IMPLEMENTATION	
SUPPORT INSTITUTION	ROLE OF SUPPORT INSTITUTION
Department of Trade and Industry (dti)	<ul style="list-style-type: none"> • Dedicated government policy and national strategy development department • Research agenda for the small enterprise sector and annual performance reviews
Small Enterprise Development Agency (SEDA)	<ul style="list-style-type: none"> • Dedicated national non-financial support services agency targeting micro, small and medium enterprises through business support service network, incubation and technology transfer network
Small Enterprise Finance Agency (SEFA)	<ul style="list-style-type: none"> • Dedicated to provide access to finance to survivalist, micro, small and medium businesses throughout South Africa
National Youth Development Agency (NYDA)	<ul style="list-style-type: none"> • Dedicated to encourage youth (18 to 35 years) development through economic participation, skills development and training, social cohesion and support
National Empowerment Fund (NEF)	<ul style="list-style-type: none"> • Specifically geared towards driving and implementing broad-based black economic empowerment (BBBEE) in South Africa. The NEF is also involved with helping women to get involved in the economy; women account for 35 % of the NEF portfolio.
Source: Own compilation.	

Without reliable data it cannot be certain that SEDA is fulfilling their mandate (Isa, 2011:1).

The Small Enterprise Finance Agency (SEFA) is a merger of SAMAF (the South African Micro Finance Apex Fund), Khula Enterprise Finance (Ltd) and the Industrial Development Corporation small business activities. SEFA was launched in April 2012 as a fully-owned subsidiary of the Industrial Development Corporation. The current SEFA product portfolio is therefore made up of two categories, namely, retail and wholesale products (where the retail products focus on direct lending to the entrepreneur and the wholesale products focus on

providing entrepreneurs access to finance through partner organisations) (Pienaar, Edoe Sirkissoo, Chirau & Chaka, 2013:2). Financing of SMMEs has been simplified with the creation of SEFA because too many small businesses were still finding themselves struggling with access to finance (Masote, 2012:7; The Editor, 2013:20). About R2 billion is available for lending to small businesses over the next years.

According to Majokweni (2012:9) Ebrahim Patel, Minister of Economic Development, has said that

We realise that funding alone is not enough to facilitate and sustain the growth of the small business sector, and so we are looking at other programmes that will complement that.

The National Youth Development Agency (NYDA) hopes to provide more training for young entrepreneurs and create more jobs through SMEs. However, the accessibility of facilities like the NYDA programmes remains a challenge for youth and school leavers in rural areas. The organisation plans to have offices in all 283 municipalities and the onus will be on the youth to approach these as the NYDA depends on municipalities to make service provision a reality (Buthelezi, 2011:14).

In a bid to address late payments for black entrepreneurs with “complaints almost on a daily basis”, the Black Business Council (BBC) is establishing a hotline to monitor the payments with part of a R3 million grant from the NEF (Khuzwayo, 2012:19).

3.4.4 OTHER GOVERNMENT INTERVENTIONS TO SUPPORT SMALL BUSINESS

The government’s National Development Plan identifies several ways to support SMMEs and new firm creation, including public and private procurement to stimulate demand, easing access to finance, regulatory simplification in areas such as business registration, tax and labour regulation as well as reforms to the skills training landscape. It is hoped that the National Development Plan can help to increase the low levels of growth in the entrepreneurial and SMME sector (eThekweni Municipality, 2013:4).

The **dti** released the *SMME Guideline for Reducing Municipal Red Tape* on the 3rd July 2013 (eThekweni Municipality, 2013:17). These guidelines act as a framework to assist government and municipalities in improving their service delivery and fostering small business development. They also provide guidance to municipalities on updating and aligning inefficient systems with modern communication technologies, improving regulation and supply chain management processes, as well as eliminating procedural burdens, duplications and excessive paperwork. The cost to South African SMMEs of paying for “red tape” is estimated to be R80 billion annually. The guidelines publication stems from a study conducted by the **dti** across as municipalities which indicated the detrimental impact of “red tape” on small business growth in the country, making it extremely difficult for small business owners to create employment opportunities and reduce the poverty burden. This is a major concern since small businesses are key drivers of job creation in South Africa, as they are elsewhere. The Licensing of Businesses Bill was released in March 2013 (RSA, 2013). Currently in its draft phase, the Bill replaces the Businesses Act (No. 71 of 1991) (RSA, 1991), and requires all businesses, regardless of size, to register and obtain their operating licences from their respective municipalities. The purpose of the Bill is to address illegal and uncompetitive business behaviour, both of which negatively impact on small businesses particularly. At the release of the Municipal Guidelines document, Minister Rob Davies reassured stakeholders that the Bill’s intent is not to hinder business and that the **dti** are currently relooking at the draft legislation, which includes continual engagement with key private sector stakeholders (eThekweni Municipality, 2013:17).

3.5 SMALL BUSINESS POLICIES OF SELECTED PROVINCES IN SOUTH AFRICA

The different small business policies of the selected provinces (Gauteng, Western Cape and KwaZulu-Natal) included in the study will be discussed in more detail in this section.

3.5.1 GOVERNANCE IN SOUTH AFRICA

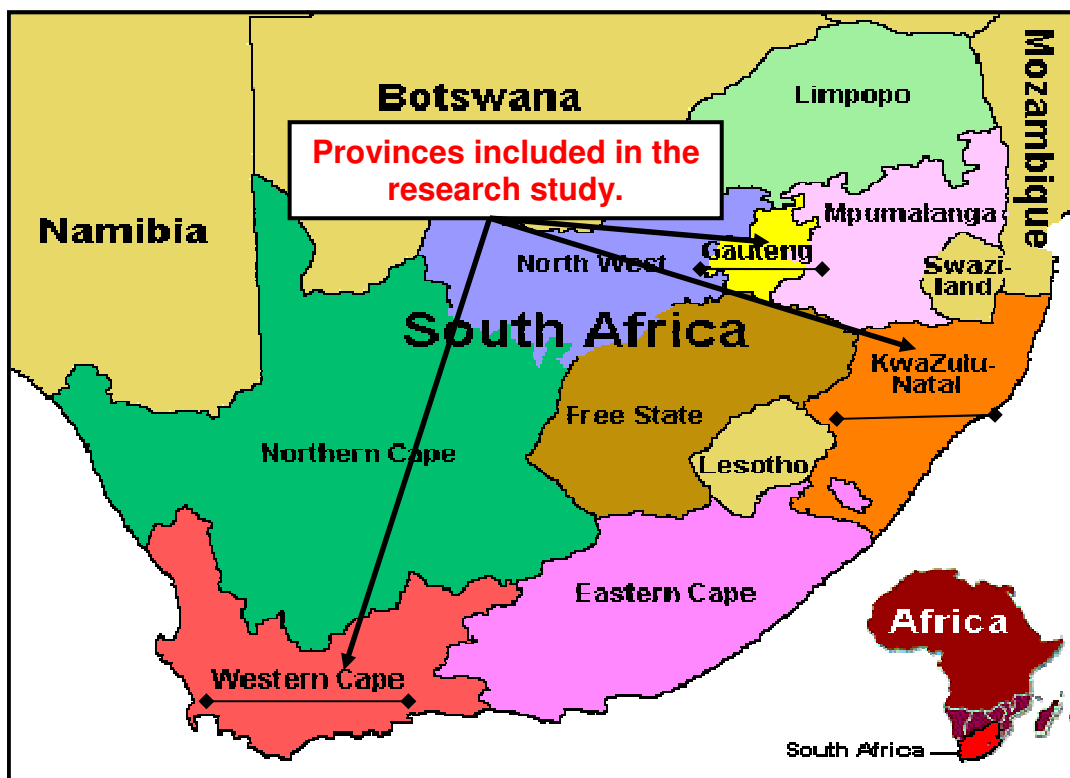
Whales (2011:149) reported that South Africa has three tiers of governance: national, provincial and local. National government consists of the National

Assembly with 400 members elected every five years by all the nation's voters, and the National Council of Provinces, which is designed to represent the interests of provinces. Executive authority rests with the country's president who presides over a cabinet of ministers. At provincial level a premier is appointed by the political party that wins a majority of votes. Local government in the country's six largest urban areas is run by metropolitan municipalities. Three of these are located in Gauteng. The country's smaller towns are administered by 231 local municipalities, which in turn fall under the control of district municipalities, of which there are 46. The smallest unit of local government is the local municipal ward where citizens have direct contact with their councillors through ward committees. The role of the national leadership is to create a fully integrated and functioning government infrastructure that works at a national, provincial and local level (Cutifani, 2012:5).

3.5.2 REGIONAL SMALL BUSINESS AND ENTREPRENEURSHIP

The GEM 2003 report (Herrington *et al.*, 2010:44) revealed that Gauteng, Western Cape, and KwaZulu-Natal provinces have the highest levels of entrepreneurial activity with Northern Cape, North West Province, Limpopo and Mpumalanga having the lowest. Much of this variation is due to difference in opportunity entrepreneurial activity levels, with particularly high levels being recorded in Gauteng and Western Cape. The GEM 2008 report (Herrington *et al.*, 2010:44) confirmed the regional trend shown in previous GEM reports. Gauteng was the most entrepreneurially dynamic province in terms of both early-stage activity as well as opportunity-motivated entrepreneurship. Gauteng, KwaZulu-Natal and Western Cape together accounted for two-thirds of early-stage entrepreneurial activity in South Africa. Mpumalanga and the Eastern Cape were the lowest ranked provinces (Herrington *et al.*, 2010:44).

Since the research study was initiated in 2008, the selection of specific provinces to be included in the study, was guided and motivated by the GEM 2003 and 2008 reports. See Figure 3.3 for the geographical location of the provinces.



Source: SASudies (2013).

Figure 3.3: Geographical map of South Africa

3.5.3 REGIONAL OVERVIEW OF GAUTENG PROVINCE

With only 1.4 % of South Africa’s land area, the tiny province of Gauteng punches way above its weight, contributing more than 33 % to the national economy and a phenomenal 10 % to the GDP of the entire African continent. With a total area of 16 548 square kilometres, Gauteng is slightly smaller than the US’s state of New Jersey. While it is South Africa’s smallest province, it has the largest population, and the highest population density – around 675 people per square kilometre. The people of Gauteng have the highest per capita income level in the country (SAinfo Reporter, 2012a:1).

Gauteng Province is a leader of economic growth, employment and development in South Africa. The province contributes the highest percentage share to GDP in almost all sectors of the South African economy such as manufacturing, construction, trade, finance, mining, with the exception of agriculture. Gauteng’s 34.5 % contribution to the GDP is the highest in the country. The second-largest economy in South Africa is KwaZulu-Natal, which contributes 16.5 % to the

national economy. The Western Cape, despite its privileged position and historical privilege, trails KwaZulu-Natal at 14.2 %, which is less than half of the size of Gauteng's economy. Over 4 million or 29 % of people with jobs in South Africa are located within the geographic confines of Gauteng (GED, 2013:1).

Gauteng is not just an important centre of economic activity in itself, but is also an important launching pad for local and international businesses to enter the African market. In broad terms, the following geographical division of economic activity holds true for Gauteng (Global Africa Network, 2007a:1).

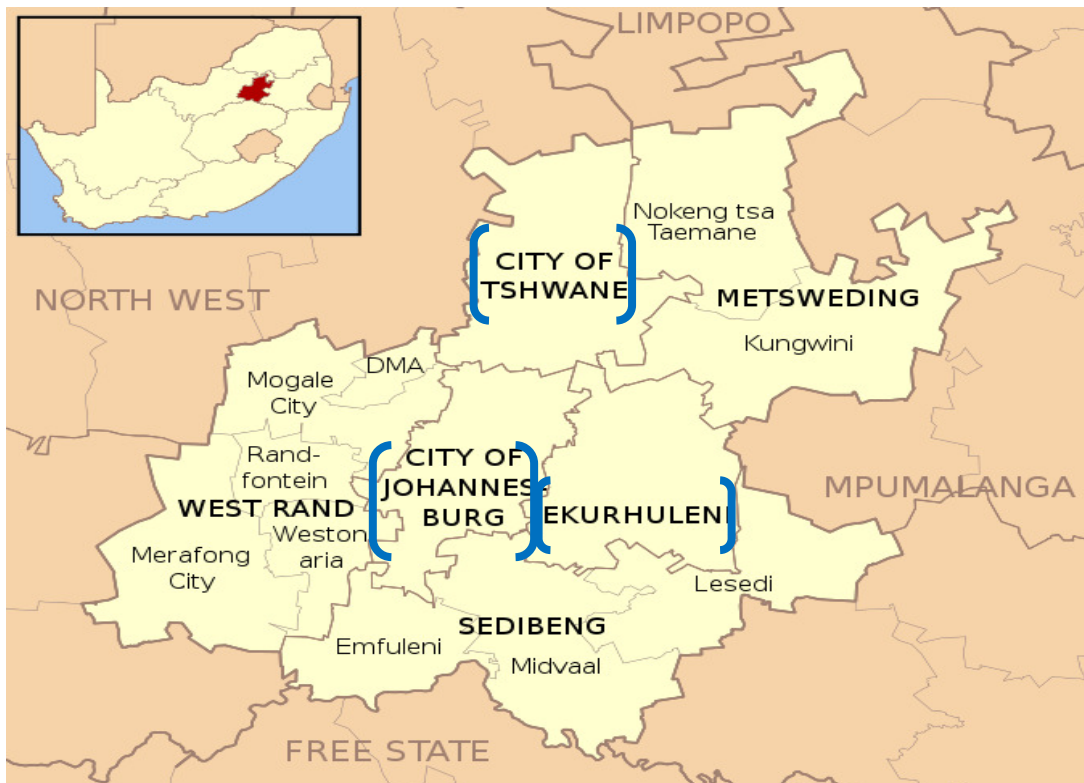
3.5.3.1 GAUTENG METROPOLES

Gauteng Province is administered by three metropolitan municipalities and two district municipalities (Whales, 2011:1) as indicated in the map of the province (Figure 3.4). The provincial capital, Johannesburg, is a multi-sectoral, multi-opportunistic city and there is not a single industry that takes precedence over the other (Peyper, 2012:1). This city falls under the City of Johannesburg Metropolitan Municipality.

According to the SAinfo Reporter (2012a:1), Johannesburg is the biggest city in South Africa, and is comparable with Los Angeles. It has a similar urban sprawl linked by huge highway interchanges. Johannesburg has a single municipality that covers over 1 645 square kilometres. Sydney's central municipality, by comparison, covers 1 500 square kilometres.

Tshwane (which includes Pretoria) is home to many government services and is the base of the automotive industry and many research institutions. The city of over two million citizens falls under the City of Tshwane Metropolitan Municipality and has a varied economy. Tshwane is South Africa's capital city and the lens through which the African continent and the world see the country. Tshwane is the home to 134 foreign embassies and missions, making it the largest home of diplomatic and foreign missions in the world after Washington DC in the US. Tshwane is the third largest metropolitan municipality in the world, by land size, after New York and Tokyo in Japan (Hlahla, 2012:5).

The Ekurhuleni metropole has the largest concentration of manufacturing concerns, ranging from heavy to light industry, in the country (Global Africa Network, 2007a:1). Ekurhuleni plays a vital role in the national economy. Firstly, it is the site of OR Tambo International Airport. Secondly, it is home to a very large number of manufacturing enterprises which contribute 20 % of Gauteng's GDP. This metropolitan municipality is also one of the most densely populated areas of South Africa (Global Africa Network, 2007b:1).



Source: Gauteng.net (2013).

Figure 3.4: Map of Gauteng Province with metropolitan municipalities

3.5.3.2 GAUTENG PROVINCE SMALL BUSINESS SUPPORT

As stated by Gernetzky (2011:2), Gauteng's SMEs have been given a boost by the provincial economic development department, which has begun a public-private partnership aiming ultimately to create 100 000 youth entrepreneurs and more than a million jobs over the next three years. The department has allocated R30 million a year to the "Y-Age project", launched in 2011, with expectations that

the private sector will match the contributions in addition to providing mentorship and skills training for entrepreneurs.

The provincial government's leader in enterprise development is the Gauteng Enterprise Propeller (GEP), an agency of the Department of Economic Development. It provides financial and non-financial support for the benefit of SMMEs. The GEP forms part of the provincial government's ambitions to halve poverty and unemployment in Gauteng and to ensure increased participation by SMMEs in the mainstream economy. The agency has, however, not been rated as either efficient or effective by many SMMEs (Herrington *et al.*, 2010:44; Whales, 2011:107).

"It is not the City of Johannesburg that blocks the growth of small businesses," Keith Brebnor, Chief Executive Officer of the Johannesburg Chamber of Commerce and Industry says. Over-regulation, a plethora of time-consuming "red tape" and very costly bureaucratic processes in a typical year hamper growth in the small business environment. Brebnor says: "The new leaders of the Johannesburg City Council are proving to become major small business supporters." On a national level, small businesses in Johannesburg often have to make do without sufficient government support.

When government does assist, they seem to only want to help "survivalist-type" businesses that are unlikely to create sufficient jobs,

Brebnor points out. Government is out of touch with entrepreneurs and appears to think only "big business" can liaise with government (Peyper, 2012:1).

3.5.3.3 GAUTENG SMME POLICY FRAMEWORK

According to the Gauteng Provincial Government (GPG) the Gauteng SMME policy framework has the following overarching aim (GPG, 2011:6):

- To promote the development and transformation of the provincial economy through the development of the SMME sector, ensuring SMMEs located in the province are better able to contribute to and benefit from the economic growth by becoming more competitive, profitable, and able to create and better employment opportunities.

The **aim** of the Gauteng SMME Development Strategy is:

- To provide a set of action-oriented, measurable and strategically focused interventions ensuring the achievement of the province's long-term vision and policy aim for the SMME sector and respond to the major challenges and priorities for the SMME development in the province.

The SMME Development Strategy provides strategic direction to the policy framework in order to achieve the above aim. The Gauteng SMME policy framework consists of five pillars which provide the structure on which the priorities and focus of the development strategy have been defined. These are reflected in the following five strategic **objectives**:

- To ensure national, provincial, district and local actors from the public, private and community sectors work in a collaborative, integrated and coordinated manner.
- To provide SMME development services that are accessible, sustainable, business-like, equitable and responsive to the demands of clearly defined target groups.
- To improve the competitiveness of Gauteng's business environment, including its constituent local business environments.
- To promote entrepreneurship, innovation and technology transfer in the provincial SMME sector.
- To ensure that the growth of the provincial SMME sector and its contribution to provincial, local and national development goals is monitored and assessed against agreed upon benchmarks and targets.

3.5.4 REGIONAL OVERVIEW OF WESTERN CAPE PROVINCE

The Western Cape lies on the southern tip of Africa as illustrated in Figure 3.5. With a total area of 129 462 square kilometres, the Western Cape is roughly the size of Greece, it is the country's fourth-largest province, only slightly smaller than the Free State, taking up 10.6 % of South Africa's land area and with a population of 5.8 million (SAinfo Reporter, 2012b:1).

The Western Cape's economy contributes roughly 14 % to South Africa's GDP. More sophisticated sectors such as finance; real estate; information and communications technology, and retail and tourism have shown substantial

growth, and are the main contributors to the regional economy. According to Nils Flaatten, chief executive of Wesgro, the investment promotion agency in the Western Cape, the service-orientated economy was not sustainable because it was the manufacturing sector that provided badly needed sustainable jobs (D'Angelo, 2012:23). There is only one metropolitan municipality in the province, the City of Cape Town.

After Gauteng and KwaZulu-Natal, the Western Cape's manufacturing sector is the third largest contributor to the national manufacturing sector. The clothing and textile industry remains the most significant industrial source of employment in the province (SAinfo Reporter, 2012b:1).



Source: Asisbiz.com (2013).

Figure 3.5: Map of Western Cape Province with City of Cape Town

3.5.4.1 WESTERN CAPE PROVINCE SMALL BUSINESS SUPPORT

There is a concerted effort to reduce “red tape” in the Western Cape Province. The Cape Chamber of Commerce and Industry (CCCI), the City of Cape Town and the Western Cape government have been working together to make Cape Town a small business friendly city according to the CCCI president. National government initiatives, such as SEDA and local and provincial governments are co-opted to protect small businesses and help them survive past the second year of existence.

Statistics show that Cape Town and the Western Cape have a much bigger survival rate for small business owners (Peyper, 2012:1).

The CCCI launched the Red Carpet to Red Tape – initiative, which invites business owners in the city to call in and identify anything that stands in their way of doing business. The CCCI president said: “We have received numerous complaints, but local and provincial government have really stepped up since then.” Capetonians’ are reluctant to support new businesses. It is a harsh environment for start-ups. Apparently, it is not as difficult in Johannesburg. Another stumbling block is local and provincial governments’ procurement policies, which are not accommodating to small businesses.

It is practically impossible for small businesses to take part in a tender due to heaps of paperwork that need to be completed,

the CCCI president adds (Peyper, 2012:2).

According to Herrington *et al.* (2010:140) the Western Cape’s Real Enterprise Development Door Initiative for developing small business in the province was started in November 2004. This initiative is a one-stop shop for new and existing businesses looking for assistance, advice and finance – from the basic to the most sophisticated. Its key objective is the creation of new jobs. The project provides financial and non-financial support through services such as mentorship and capacity building to historically disadvantaged individuals, SMMEs and cooperatives (Lewis, 2012:18; Peyper, 2012:2).

3.5.4.2 WESTERN CAPE SMME POLICY FRAMEWORK

In the Western Cape the Business Support and Skills Development (BSSD) unit is responsible for small business support and is guided and informed by the Business Support Policy (2003). The primary objective of the policy is to grow businesses to be globally competitive. The policy addresses generic business support needs of all businesses with specific emphasis on less sophisticated businesses (City of Cape Town, 2003:1). The emphasis is on aligning the unit’s initiatives with the City of Cape Town’s strategic objectives to ensure a greater and wider impact.

The BSSD unit contributes toward achieving the objectives of the small business policy which are as follows (City of Cape Town, 2003:7):

- Ensuring the right regulations and policy are in place to support and encourage business.
- Providing information to businesses.
- Initiating and conducting research and development.
- Providing business development services, including training and counselling.
- Supporting procurement processes.
- Encourages enterprise development services and entrepreneurship through driving various relationships, partnerships and agreements.

The two key functions of the unit are, firstly, to unlock and manage partnerships to promote and support enterprise development and, secondly, to promote and support the development of skills to contribute to self-employment and economic empowerment, that is, digital literacy and business skills (City of Cape Town, 2013:1).

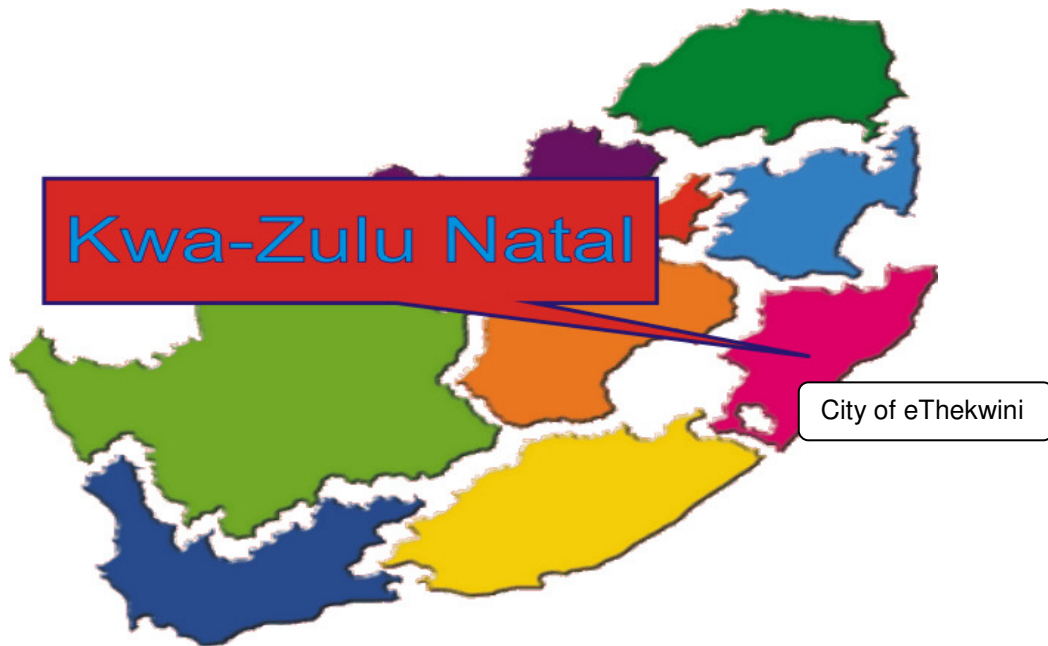
The BSSD unit supports and promotes a range of programmes aimed at enterprise development and awareness. To encourage entrepreneurship the unit is busy driving the Cape Town Activa initiative which is implemented through the Business Place eKapa. The Business Place is a walk-in centre created for entrepreneurs to explore their ideas, add potential, and encourage implementation by providing information, referrals, training, workshops, networking and business opportunities (City of Cape Town, 2013:2).

The City of Cape Town also indirectly helps small and medium firms take advantage of international business opportunities through its support of Wesgro's Exporter Development Programme and sector support body initiatives. In addition there is a need to raise awareness about business and entrepreneurship and facilitate greater links between educational and entrepreneurship activities. The City of Cape Town's processes and regulations need to support small business creation at all times. A link has been created between vendors and businesses supported by the City of Cape Town (City of Cape Town Economic & Human Development Department, 2009:31).

3.5.5 REGIONAL OVERVIEW OF KWAZULU-NATAL PROVINCE

Durban is one of the fastest growing urban areas in the world. Its harbour is one of the busiest in South Africa and one of the ten largest in the world. The capital of KwaZulu-Natal is Pietermaritzburg. With a total area of 94 361 square kilometres, KwaZulu-Natal is roughly the size of Portugal. While it is the country's third smallest province, taking up 7.7 % of South Africa's land area, it has the second largest population according to census 2011. Richards Bay is the centre of operations for South Africa's aluminium industry. The vehicle-manufacturing industry has created a considerable multiplier effect in component- and service-providers. The automotive leather industry has grown rapidly, with exports significantly increasing foreign exchange earnings (SAinfo Reporter, 2012c:1). There is one metropolitan municipality, the City of eThekweni as illustrated in Figure 3.6.

eThekweni's GDP grew by 3.4 % between 2011 and 2012 and this positive growth once again reaffirms the City's resilience in overcoming the negative impacts of the global financial crisis still being felt in many regions. Manufacturing, finance, trade and transport and community services were the major contributors to GDP. eThekweni surpasses the national growth rate of 2.5 % as well as that of most major cities – namely, Cape Town (3.1 %) and Johannesburg (2.7 %) with the exception of Tshwane (4.0 %). eThekweni's GDP output in 2012 comprised 10.8 % of national GDP (R1.9 trillion) and 64.9 % of KwaZulu-Natal's GDP (R323.7 billion). Unfortunately this positive growth has not translated sufficiently into helping eradicate poverty and creating the much-needed jobs for the citizens. An extremely high proportion of people are out of work. The state of the education is one of the main culprits because it is not producing the skills needed in the labour market (eThekweni Municipality, 2013:3).



Source: Waterharvest (2013).

Figure 3.6: Map of KwaZulu-Natal Province with City of eThekweni

3.5.5.1 KWAZULU-NATAL PROVINCE SMALL BUSINESS SUPPORT

In eThekweni, SMMEs include a very broad range of firms, from established traditional family businesses employing over a hundred people (medium-sized enterprises) down to the survivalist self-employed from the poorest layers of the population (informal micro-enterprises). These firms are not homogeneous. They may operate in different sectors, as well as experience different challenges at different stages of their development (eThekweni Municipality, 2013:33).

“It can definitely be regarded as a small, business-friendly city,” says Andrew Layman, Chief Executive Officer of the Durban Chamber of Commerce and Industry. Small business owners in Durban have access to sound institutional support, such as a business support unit run by the eThekweni municipality which helps registered vendors with business development. The annual Durban Business Fair offers subsidised or even free exhibition space to micro and small businesses. The event has now incorporated businesses in townships and rural areas. Access to markets and finance remain stumbling blocks for SMMEs in Durban. BEE verification of certificates, employment equity and skills reporting are some policies at local government level that hinders the expansion of small businesses. At a national level, policies, such as complex procedures complying

with the suite of labour laws, delays in business registration, difficulties with rezoning in municipalities and hitches with opening bank accounts are hostile to the SMME environment (Peyper, 2012:3). Local government has tried to play a larger, more direct role in supporting small businesses (eThekweni Municipality, 2013:39).

3.5.5.2 KWAZULU-NATAL PROVINCE SMME POLICY FRAMEWORK

The eThekweni Municipality's Business Support, Tourism and Markets Unit is the unit within the City responsible for SMME development and support. They run a **number of programmes**, including: the access to finance programme that aims to empower SMMEs financially and enable them to access finance from financial institutions; arts and crafts programme which provides entrepreneurs with technical skills that they can use to generate an income; the support to an enterprise programme which is aimed at facilitating skills development, mentorship, coaching and support for business enterprises; the business linkages programme; and the Durban business fair, to name a few (eThekweni Municipality, 2013:39).

An Enterprise Development Strategy is currently being finalised for the City. The purpose of the strategy is to **identify and assess the current business support programmes** run by the eThekweni Municipality that has enterprise development potential. The key project **objectives of the strategy include** (eThekweni Municipality, 2013:47):

- Identifying existing business support programmes that have the potential to be Enterprise Development Programmes.
- Identifying beneficiaries of the existing business support programmes and assessing their appropriateness in terms of enterprise development requirements of the B-BBEE codes, with specific focus on women and young people.
- Creating a strategy that aligns existing municipal programmes to the enterprise development requirements of the B-BBEE Act² (RSA, 2004:1) and hence the needs of corporates.

² (Act No. 53 of 2003).

- Engaging with corporate and other organisations in order to identify and fulfil their Enterprise Development requirements and specific areas of interest.
- Creating an implementable plan that would facilitate corporate (and other organisations) to invest in the identified programmes.

In Table 3.5 the small business policies of the three provinces are summarised and compared. From Table 3.5 it can be deduced that each province has its own interpretation of the national small business policy. An agency or unit has been tasked with the responsibility to oversee the interpretation and implementation of the small business policy. The objectives for each province are vastly different. Gauteng Province has the most clearly spelled out policy objectives when compared with the Western Cape and KwaZulu-Natal provinces which can possibly explain its reason for being the most entrepreneurial in the country. One common objective seems to be encouraging partnerships and relationships between the public and private sector.

Diale (2009:1) contends that in order to achieve a vibrant entrepreneurial society and activity in South Africa, the government's efforts thus far have to be applauded though it will be a long-drawn struggle that will take time. It will also have to increase the proportion of people who have confidence in their skill, knowledge and experience in starting and managing new enterprises to achieve business growth and economic sustainability. Uncertainty about government policy and the regulatory environment have to be removed since it has a negative impact on the cost and ease of doing business (Peyper, 2012:1).

In promoting the small business sector, the government effectively faces a trade-off between growth and employment, since not all start-up and established businesses will result in innovation. Thus policy formulation should focus on supporting and fostering an entrepreneurial mindset, which will contribute to innovation and create businesses that will have a greater probability of survival, with employment becoming a positive consequence rather than a direct goal (Kerimova, 2008:1).

Table 3.5: Small business policies of the provinces

	Gauteng Province	Western Cape Province	KwaZulu-Natal Province
Small business support unit	Gauteng Enterprise Propeller (GEP)	Business Support and Skills Development (BSSD) unit	Business Support, Tourism and Markets Unit
Primary objective	<ul style="list-style-type: none"> Promote the development and transformation of the provincial economy through the development of the SMME sector, ensuring SMMEs located in the province are better able to contribute to and benefit from the economic growth by becoming more competitive, profitable, and able to create and better employment opportunities. 	<ul style="list-style-type: none"> Grow businesses to be globally competitive. 	<ul style="list-style-type: none"> Grow and develop small businesses.

	Gauteng Province	Western Cape Province	KwaZulu-Natal Province
Secondary objectives	<ul style="list-style-type: none"> • To ensure national, provincial, district and local actors from the public, private and community sectors work in a collaborative, integrated and coordinated manner. • To provide SMME development services that are accessible, sustainable, business-like, equitable and responsive to the demands of clearly defined target groups. • To improve the competitiveness of Gauteng's business environment, including its constituent local business environments. • To promote entrepreneurship, innovation and technology transfer in the provincial SMME sector. • To ensure that the growth of the provincial SMME sector and its contribution to provincial, local and national development goals is monitored and assessed against agreed upon benchmarks and targets. 	<ul style="list-style-type: none"> • Ensure the right regulations and policy are in place to support and encourage business. • Provide information to businesses. • Initiate and conduct research and development. • Provide business development services, including training and counselling. • Support procurement processes. • Encourage enterprise development services and entrepreneurship through driving various relationships, partnerships and agreements. 	<ul style="list-style-type: none"> • Identify existing business support programmes that have the potential to be Enterprise Development Programmes. • Identify beneficiaries of the existing business support programmes and assessing their appropriateness in terms of enterprise development requirements of the B-BBEE codes, with specific focus on women and young people. • Create a strategy that aligns existing municipal programmes to the enterprise development requirements of the B-BBEE Act and hence the needs of corporates. • Engage with corporate and other organisations in order to identify and fulfil their Enterprise Development requirements and specific areas of interest. • Create an implementable plan that would facilitate corporate (and other organisations) to invest in the identified programmes.
Source: Own compilation.			

3.6 CONCLUSION

This chapter highlighted that the promotion of small business and entrepreneurship remains an important priority of the government of South Africa. The small business sector has the potential to make a significant contribution to economic growth and the country's high unemployment rate of over 25 % (Hazelhurst, 2013:19; Statistics South Africa, 2013:v).

South Africa's business environment was considered in terms of the state of the national economy, its global competitiveness ranking and ease of doing business. The country has impressive economic statistics and has Africa's largest economy. In the Doing Business 2014 report South Africa ranks 41st out of 189 countries. It is one of the least expensive countries for foreigners to live and do business in (The World Bank Group, 2013a:3).

South Africa remains one of the more poorly-performing countries with regards to entrepreneurial activity – despite the fact that the country exhibits the factors which are conducive to entrepreneurial ventures, including government policies and programmes aimed at stimulating entrepreneurship. It lags behind countries such as Brazil, China, Chile and Argentina.

Some of the major barriers facing the small business sector was identified and discussed. These relate to lack of access to finance, inefficient government bureaucracy, restrictive labour regulations, crime and theft, limited business skills, lack of access to markets, and limited transport infrastructure. Although there are a variety of small business support programmes, institutions and schemes addressing these problems in the SMME sector as a whole, there is no indication that these schemes have succeeded in reaching out to micro-enterprises.

An attempt was made to synthesis the three different strategies entailing South Africa's small business policy – namely, the national strategy, ISEDS and ISPESE. Comparing the primary objectives of the three strategies, it can be deduced that the government's aim has slightly changed from 1995 to 2005. It started off in 1995 with wanting to create an enabling environment, and then in 2005 moved to addressing the needs of small enterprises and fostering

entrepreneurship. It seems as if though government realised that an enabling environment is not the only key factor in stimulating small business development. Most of the activities of the three strategies are intertwined since financial and non-financial support had to be supplied and an enabling legal framework had to be created.

The small business policies of Gauteng, Western Cape and KwaZulu-Natal provinces were reported on. Each province has its own interpretation of the national small business policy. An agency or unit has been tasked with the responsibility to oversee the interpretation and implementation of the small business policy. It is interesting to note that the objectives for each province are vastly different from each other.

In Chapter 4 South Africa's small business policy will be evaluated and the need for an entrepreneurship policy explored.

CHAPTER 4:

MONITORING AND EVALUATING SOUTH AFRICA'S SMALL BUSINESS POLICY AND DETERMINING THE NEED FOR AN ENTREPRENEURSHIP POLICY

4.1 INTRODUCTION

In Chapter 3 the small business sector of South Africa was examined. Small business in the local context was defined and the size of the sector addressed. The small business policy was assessed by focusing on the different strategies that were formulated and implemented.

From the previous chapters it is evident that more than a quarter of South Africa's population is excluded from meaningful participation in the economy. An economic transformation is needed that will allow South Africans to participate fully, successfully and equally in the mainstream economy. A turnaround strategy is required to eradicate poverty and grow an inclusive economy where jobs are created (Majokweni, 2012:9). Public policies provide the foundations for the formulation of strategic plans to steer government activities accordingly and are aimed at improving some aspect of the quality of life of the citizens (Ile *et al.*, 2012:1). Evaluation has to be a key element of initial policy formulation and integral to the policy process.

Most policy makers and academics agree that entrepreneurship is critical to the development and well-being of society. Entrepreneurs create jobs, they drive and shape innovation, and speed up structural changes in the economy. By introducing new competition, they contribute indirectly to productivity. Entrepreneurship is thus a catalyst for economic growth and national competitiveness (Kelley, Bosma & Amorós, 2011:12).

Given South Africa's very high unemployment rate (Hazelhurst, 2013:19; Statistics South Africa, 2013:v), policies and schemes need to be improved so that an increasing number of individuals can pursue entrepreneurship as a positive employment choice. At the moment there are not enough entrepreneurs who are willing to start businesses, take risks and build enterprises that create jobs (Simrie *et al.*, 2012:5).

Government's major challenge is to become more effective and efficient. Monitoring and evaluation processes can assist the public sector in evaluating its performance and identifying the factors which contribute to its service delivery outcomes (The Presidency, 2007:1). Public policy monitoring and evaluation has become an important area of study in most developing countries, including South Africa (Ile *et al.*, 2012:1).

Even the best developed policies can and do fail, if they are not closely monitored and appropriately evaluated. This is where the value of public policy monitoring and evaluation lies (Ile *et al.*, 2012:1). In this chapter an evaluation of South Africa's small business policy will be undertaken to determine to what extent it has met its goals and objectives or not. Without evaluation there will be no way to determine whether the policy has been worth all the resources used and whether it provides an accurate measurement of activities. Consequently, entrepreneurship policies will be examined as a possible alternative strategy to address the shortcomings of the small business policy. It is necessary to first discuss monitoring and evaluation.

4.2 MONITORING AND EVALUATION IN PERSPECTIVE

In this section, monitoring and evaluation are addressed in terms of its definition, key concepts and its position in a public policy context.

4.2.1 DEFINING MONITORING AND EVALUATION

Monitoring and evaluation (M&E) are complementary (Ile *et al.*, 2012:130). Monitoring is a process that involves collecting, analysing, and reporting data on inputs, activities, outputs, outcomes and impacts. It tracks performance on a regular basis and reports on actual performance against what was planned or

expected. Early indicators of problems that need to be corrected can also be identified (Chabane, 2009:8). However, it is unlikely to establish the causes of good or poor performance. Evaluation is a time-bound and periodic exercise that should provide credible and useful information to answer specific questions. It helps to establish causal relationships for changes that are being realised or for performance levels being attained (Engela & Ajam, 2010:26).

4.2.2 KEY MONITORING AND EVALUATION CONCEPTS

Monitoring and evaluation revolves around a number of key elements (The Presidency, 2007:2) which is highlighted in Table 4.1.

Table 4.1: Key monitoring and evaluation concepts

Monitoring and evaluation concept	Description	Explanation
Inputs	“What is used to do the work?”	All the resources that contribute to the production of service delivery outputs. For example finances, personnel, equipment and buildings.
Activities	“What needs to be done?”	Processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes.
Outputs	“What are produced or delivered?”	Final products, goods and services produced for delivery.
Outcomes	“What needs to be achieved?”	Medium-term results for specific beneficiaries which are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution’s strategic goals and objectives set out in its plans.
Impacts	“How were the communities and target groups actually influenced?”	Results of achieving specific outcomes, such as reducing poverty and creating jobs.

Source: Adapted from The Presidency (2007:2).

In Table 4.1 the inputs, activities, outputs, outcomes and impacts are clearly described in a question format that needs to be answered. These concepts were

taken into account in Chapter 3 when the small business policy was discussed as well as when the research questionnaires (Annexures A and B) were designed.

4.2.3 MONITORING AND EVALUATION IN A PUBLIC POLICY CONTEXT

Policies were previously defined in Chapter 1 (Section 2.1.2.5). According to Ile *et al.* (2012:1) public policies can be simply described as position statements comprising a series of decisions, which need to be communicated, in order to provide guidance that influences practice and enables the attainment of predetermined goals. It is a set of guidelines and decisions of government to attain a specific vision and/or changes across spheres or in a particular sphere or sector of government. Policies are fundamental instruments for improving governance and delivery functions, as these guide implementers bringing about the desired change and thereby enhancing the quality of life of citizens in a particular country.

Policy monitoring is an essential project implementation and management tool, but has over time been linked to the concept of evaluation. Cloete (2009:295) indicates that policy monitoring entails the regular and systematic collection of data on the basis of specified indicators to determine levels of progress and achievement of goals and objectives. Ile *et al.* (2012:21) maintain that monitoring shows whether there is an alignment and a relationship between the policy and the activities of an institution or government. Furthermore, it helps with generating valuable information on inputs, outputs, outcomes and environmental factors for decision-making.

Engela and Ajam (2010:26) assert that policy evaluation provides the opportunity to go beyond merely reporting to understanding why phenomena take place. It also acknowledges the cause and effect between inputs, processes, outputs, outcomes, and impacts within an explicit conceptual/theoretical framework. Policy evaluation is conducted to check the effects of policies in terms of its transparency, necessity, efficiency, appropriateness and validity. The aim is to improve the planning and implementation process of policies (Storey, 2008:14). It can include a systematic assessment of resources and organisational processes to determine whether they are able to convert such resources into policy outputs or products for the intended beneficiaries. Additionally, it assesses the extent to

which policy programmes have the intended results in the form of outputs, outcomes or impacts, measured against envisaged goals and objectives (Cloete, 2009:295; Policy Hub, 2010:1).

The outcomes of a policy evaluation exercise can be varied. A policy's direction can be reconfirmed and recommitted, or it can result in its abandonment. Delivery mechanisms may be restructured and the impacts of a policy can be identified and determined. Evaluation of impacts is facilitated by a clear statement of measurable outcomes right at the start of the policy/programme design and the collection of relevant data throughout its life. Evaluation evidence can help to identify where government can make a bigger difference to its objectives and targets (OECD, 2007:17; Storey, 2008:15; Ile *et al.*, 2012:46).

Despite the positive outcomes of policy evaluation, there is also resistance to evaluation amongst a range of politicians, policy makers and practitioners. According to the OECD (2007:19), the typical objections to evaluation are that it is deemed as expensive and bureaucratic. Costs include the payment of consultants/evaluators, the collection of data and the time taken from those delivering programmes to inform the evaluation. Evaluation does not always lead to policy improvements due to several reasons. One of the reasons may be that evaluators themselves fail to express their findings in a language that is easily understandable to policy makers and those responsible for policy delivery. There is even the perception that evaluation is only for advanced countries. In part this may be because it is more difficult to find sufficient numbers of individuals with the type of analytical skills necessary to conduct good quality evaluations in developing economies. In some countries there is no history of undertaking evaluation. Without a tradition of evaluation it can be difficult to make this transition.

The need for improved policy monitoring and evaluation in the democratic South Africa has been increasingly recognised since the government has not been rendering its services optimally. In the following section, South Africa's policy monitoring and evaluation will be briefly explored.

4.3 POLICY MONITORING AND EVALUATION IN SOUTH AFRICA

Engela and Ajam (2010:ii) emphasise that building monitoring and evaluation systems help strengthen governance in countries. They claim that by improving transparency, by strengthening accountability relationships, and by building a performance culture within governments; better policy making, budget decision making, and management are supported.

As recently as 2005, the South African Cabinet adopted a strategy to establish a Government-wide Monitoring and Evaluation System (GWM&ES) over a period of two years (Cloete, 2009:298). The GWM&ES is intended to co-ordinate a systematic programme of policy monitoring and evaluation throughout the public sector in South Africa. This programme is aimed at improving general public management in the country. In 2007 the M&E system was revised and updated. More clarity about how the system should be implemented had by then started to emerge. The system will monitor internal governmental performance processes but is also aimed at determining the nature of external governmental outcomes and impacts on South African society. It is therefore aimed at determining the eventual longer term results of policy and service delivery interventions or a lack thereof (Cloete, 2009:298). Interestingly, the M&E system development is being allowed to evolve, rather than follow a completed and detailed blueprint (Engela & Ajam, 2010:iv).

In 2009 the government approved and implemented the current GWM&ES that encompasses validation and verification systems, early-warning mechanisms, data generation, quality analysis, decision-making and reporting. A Department of Performance Monitoring and Evaluation has been created and a minister in the Presidency appointed to drive the function of performance monitoring and evaluation across the national, provincial and local governmental landscapes of the country (Ile *et al.*, 2012:12).

Fourie (2011:20) affirms that the Department of Public Service and Administration also introduced performance management systems to increase accountability and set standards against which the work of public officials could be measured. These

two tools are supported by the national planning and monitoring and evaluation processes of the Presidency. These policy and institutional instruments lay a strong foundation to ensure public sector accountability. Despite this, a number of weaknesses exist.

The primary weakness of policy co-ordination and coherence (Masote, 2012:7; Timm, 2011:9) is aggravated by the measuring instruments used within the state. Government will be in a position to account for quantitative achievements if the inputs, activities and outputs of policies are linked. However, the current instruments do not measure the qualitative impact of policy programmes, decisions and interventions on society. Both quantitative and qualitative impacts are of equal importance for policies to be improved. An illusion is being created that resources are very effectively deployed (Chabane, 2009:8; Fourie, 2011:20).

According to Cloete (2009:303) the most serious weakness of the current emerging GWM&ES framework is that it does not contain any suggestion of the focus or contents of what needs to be monitored and evaluated. The framework currently only focuses on how monitoring and evaluation activities in government and in other supplementary agencies could be structured. The core problem is that if one does not know *what* to evaluate, it is virtually impossible to decide how to do it. Besides knowing *what* to evaluate, there are a number of other key considerations that should also be taken into account when conducting policy evaluation. In the next section the considerations for small business policy evaluation will be explained in Table 4.2. These considerations include the development of clear evaluation objectives, the objectives of the policy programmes to be evaluated have to be clearly specified, the data collection mechanisms, the time frame for the evaluation and the selection of evaluation focus or foci. The key considerations for this study's public-policy evaluation are also highlighted in Table 4.2.

4.4 SMALL BUSINESS POLICY EVALUATION

Evaluations are intended to inform and contribute to the public debate on small business or entrepreneurship policy. Engela and Ajam (2010:26) report that evaluation can truly lead to policy change. For example, it may lead to either an increase or decrease in the budget that is required to implement a policy. Alternatively, the policy itself may be abandoned. It may also lead to different objectives of the policy being specified and most likely, will lead to the policy being delivered in different ways – possibly to different target groups (Davie, 2012:18). Alternatively, the policy decision may be that no change is required and that the programmes are “on track”. Furthermore, evaluation has to lead to policy learning so that current policies may be amended in the light of this knowledge and new policies developed from such learning (OECD, 2007:28).

4.4.1 KEY CONSIDERATIONS FOR SMALL BUSINESS POLICY EVALUATION

The following are essential elements that need to be considered carefully by the evaluator (researcher) in an evaluation exercise as it can affect the quality of the evaluation. Table 4.2 presents the key considerations in public-policy evaluation.

Table 4.2: Key considerations in public-policy evaluation

Key considerations	Explanation	For this study
Development of clear evaluation objectives	Given that an evaluation study of any kind can be extensive, it is very important to develop clear objectives to keep the evaluation team focused on the demarcated subjects or issues.	<ul style="list-style-type: none"> • <i><u>Primary objective of the evaluation study is to determine whether the small business policy addresses the needs of start-up and established business owners.</u></i>
The objectives of the policy programmes to be evaluated have to be clearly specified	Unless policy programmes have objectives which are in principle capable of measurement then a quantitative evaluation cannot be undertaken. This is important for evaluation because it provides a guide to what should be assessed and measured.	<ul style="list-style-type: none"> • <i><u>The specific small business policy objectives were identified in Chapter 3.</u></i>
Data-collection mechanisms	<p>The design of evaluation should take into consideration what tools can be used for data-collection procedures. For instance, a questionnaire may generate significant quantitative data while documentary analysis or interviews may generate significant qualitative data.</p> <p>Policy evaluation uses quantitative and qualitative methods, experimental and non-experimental designs, descriptive and experiential methods, theory based approaches, research synthesis methods, and economic evaluation methods.</p>	<ul style="list-style-type: none"> • <i><u>Both qualitative and quantitative methods are used.</u></i> <p><i>Quantitative methods: two questionnaires were developed.</i></p> <p><i>Qualitative methods: documents, reports and literature were reviewed. Personal interviews were conducted.</i></p>
Time frame for the evaluation	The depth of the evaluation as well as the scope of the evaluation has a direct relationship on the time available for the evaluation. This time frame may be short (under one year), medium (two to three years) or long term in nature (three to five years or more).	<ul style="list-style-type: none"> • <i><u>The evaluation was conducted in a short time frame of less than one year (01 November 2011 to 30 April 2012). Business ventures included had to be exposed to small business support services for either less than 3.5 years or more than 3.5 years.</u></i>

Key considerations	Explanation	For this study
Selection of evaluation focus or foci	<p>Linear or single focus policy evaluation</p> <p>The designers of the evaluation need to make decisions on what elements would be focused on.</p> <p>Multi foci / Comprehensive policy evaluation</p> <p>The focus is on a particular service but it is comprehensive in nature with regard to the various elements related to that particular service. (For example, small business sector and the different institutions involved; the provision of infrastructure.)</p> <p>Self/internal evaluation and external evaluations</p> <p>An evaluative exercise that is conducted internally or by external bodies.</p> <p>Formative and summative evaluation</p> <p>Formative evaluation seeks to generate insight, improve delivery, while summative evaluation is conducted after delivery to determine the direction of the policy or project.</p> <p>Sectoral or integrated evaluation</p> <p>This is an evaluative study targeting only one policy sector (for example, agriculture) or the focus could be the integrated assessment of several sectorial policies simultaneously, for example, the South African ten-year review (1994-2004).</p>	<ul style="list-style-type: none"> • <i>Single focus evaluation: on the small business and entrepreneurship in South Africa.</i> • <i>Comprehensive evaluation: of available small business support services as viewed by government officials and beneficiaries.</i> • <i>External evaluation: conducted by an external body.</i> • <i>Summative evaluation: the emphasis is on the objectives, outputs, outcomes and impact of the small business policy.</i> • <i>Sectoral evaluation: focus is only on the small business sector.</i>

Key considerations	Explanation	For this study
	<p>Single phase or multi-phase evaluation</p> <p>Since many policies may be implemented through programmes, these programmes may be evaluated by focusing on one phase of a programme or project at a time.</p> <p>In the multi-phase evaluation, all the phases are evaluated together in order to be as in-depth as possible in the evaluation process.</p> <p>End-user's service evaluation</p> <p>This may be considered if the evaluation team is trying to determine whether a particular policy and related service is both effective and efficient. For example, quality of refuse collection services at a municipality.</p> <p>Independent evaluation</p> <p>This is an evaluation carried out by entities and persons free from the control of those responsible for the design and implementation of the intervention or policy.</p>	<ul style="list-style-type: none"> • <i>Multi-phase evaluation: all the programmes aimed at start-up and established business owners are evaluated.</i> • <i>End-user's evaluation: start-up and established business owners have to determine effectiveness of small business support.</i> • <i>Independent evaluation: researcher is not employed by government.</i>

Source: Adapted from OECD (2007:24); Policy Hub (2010:3); Ile *et al.* (2012:43).

Some policy initiatives and programmes can be so complicated and diffuse that they have little prospect of being evaluated. Therefore, to ensure good and proper evaluation, the policy interventions and the target population need to be clear and identifiable.

Drawing from the explanations in Table 4.2 it can be further concluded that it is important to identify precisely **what** (the content) it is that will be evaluated. At the outset, it should be determined whether a complete small business programme is to be evaluated or whether the component parts are to be evaluated separately. However, a broad rule of thumb is that SME policy initiatives such as the impact of loans and grants should plan for the evaluation immediately when the policy is introduced. The formal evaluation must be conducted within two to three years (OECD, 2007:28). **When** the evaluation should be conducted is an equally important consideration since it influences the depth and scope of an evaluation. Some forms of assistance take longer to impact on a business venture's performance than others. For example, a programme designed to network firms with one another at a trade fair might be expected to have an impact in terms of additional sales within three to six months. In contrast, a programme to provide management training for SME owners might not be expected to have significant impacts for at least two to three years. Finally, programmes designed to influence the attitudes of school children to enterprise creation might not be expected to be observable for at least twenty years (OECD, 2007:28).

The policy programme has to have clearly specified objectives from which it is possible to determine whether or not it succeeded. The policy outcomes need to be clear, specific and measurable (Storey, 2008:15). An appropriate evaluation design must be selected to be implemented (OECD, 2007:11; Policy Hub, 2010:3). Two types of evaluation that are commonly used in policy evaluation are formative and summative evaluation.

The distinction between summative and formative evaluations is not always rigid as the above characterisation might suggest. Determining whether or not a policy has had an impact often involves asking questions. Formative evaluations are naturally particularly useful when the lessons learnt from a previous aspect or

phase of a project/programme can feed into succeeding phases to enable improved performance (Ile *et al.*, 2012:131). Summative evaluation focuses on the short term end products (outputs) as well as on the medium term sectoral outcomes or long term inter-sectoral impacts or changes that the product brought about to real-life conditions in which it was applied (Cloete, 2009:297).

The most appropriate evaluation process should be employed. Different approaches exist to conduct small business policy evaluation depending on the level of sophistication and size of the evaluation.

4.4.2 THE PROCESS OF SMALL BUSINESS POLICY EVALUATION

Greene & Storey (2007:214) assert that a useful guide in developing robust quantitative evaluations and assessing the quality of such evaluation evidence is the so called “Six Steps to Heaven” approach of David Storey (Storey, 2000). This is an approach that is mainly relevant to quantitative and *ex post* evaluations rather than to qualitative and *ex ante* evaluation. It is nonetheless a very helpful framework for assessing evaluations. The OECD (2007:24) mentions that the Six Steps method is particularly appropriate for the evaluation of large-scale programmes for which information is needed for decisions on the future of the programme (for example, continue at current scale, scale-up, scale-down or close, adjust content and delivery methods). Since this study is not a large-scale evaluation, the Six Steps method is not appropriate.

In 2006 the World Bank (2006:1) conducted a review of eleven representative government programmes aimed at supporting small businesses through either management and technical assistance or financial assistance. The initial criteria for programme selection were that the programmes should be directed to SMMEs, be representative of types of support, and have, if possible, both a national and provincial focus. Programmes were evaluated on the basis of a common set of criteria: output, outcome, impact, cost-effectiveness and performance. These criteria can be linked to summative evaluation (as mentioned in Table 4.2) and were considered for this study (OECD, 2007:24; Policy Hub, 2010:3; Ile *et al.*, 2012:43).

The OECD (2007:70) suggests that in order to evaluate a small business policy, as part of the preparatory phase, the small business sector of a given country also needs to be reviewed. The review and evaluation go hand in hand, and is illustrated in Table 4.3.

Chapter 3 covered the main features of the small business sector and policy. In the following section the policy will be evaluated in terms of its objectives, outputs, outcomes and impacts as previously summarised in Chapter 3 (Tables 3.3 and 3.5). According to Morales-Nieto (2008:7), it should be borne in mind that a lack of reliable data and information on the small business and enterprise sector can hamper policy strategy, design and evaluation. Therefore, different reports such as the GEM and World Bank reports and other credible sources of reference will be examined. Chapter 6 focuses on the descriptive and inferential statistical analysis which will further inform the policy evaluation.

4.5 EVALUATING SOUTH AFRICA'S SMALL BUSINESS POLICY

A small business policy that has been developed may seem almost faultless as a document, however, it may not have translated into the deliverables (objectives, outputs, outcomes and impacts) or met the policy goals that were identified. The focus of this section is to highlight the areas where the policy has not delivered.

Masote (2012:7) reports that government endeavours to work hard to ensure a more coherent approach to small business development and move away from the stand-alone programmes. The GEM 2011 report (Simrie *et al.*, 2012:47) noted that even though much criticism has been lobbied at government programmes aimed at providing entrepreneurship development and support, some government initiatives have been successful (with particular reference to initiatives such as the National Empowerment Fund and the Industrial Development Corporation). The existence of business support agencies (such as SEDA) has also achieved marginal returns on their efforts (Peters & Naicker, 2013:19).

Table 4.3: Preparatory phase for small business review and evaluation

PROCESS	EXPLANATION	FOR THIS STUDY
<p>Main features of the SME sector in the country under review</p>	<p>This chapter provides an overview of the <i>size and structure of the SME sector and its main characteristics</i>.</p>	<ul style="list-style-type: none"> • <i>Conducted in Chapter 3</i> <u>Section 3.3: Small business sector in South Africa</u> <i>3.3.1 Defining small business in South Africa</i> <i>3.3.2 Size of small business sector in South Africa</i> <i>3.3.3 South Africa's small business size versus the size of other developing countries</i> <i>3.3.4 Major barriers facing the small business sector</i>
<p>Strengthening the entrepreneurial business environment</p>	<p>This chapter provides the <i>macro-economic</i> background which explains how SME performance and development are affected by <i>economic events and policy at the national level and by framework conditions in which all businesses operate</i>.</p>	<ul style="list-style-type: none"> • <i>Described in Chapter 3</i> <u>Section 3.2: The state of South Africa's business environment</u> <i>3.2.1 The national economy</i> <i>3.2.2 South Africa's global competitiveness ranking</i> <i>3.2.3 Doing business in South Africa</i>

PROCESS	EXPLANATION	FOR THIS STUDY
SME policy and programmes	This chapter <i>analyses the SME policy</i> carried out by authorities at national and provincial levels through specific programmes and measures.	<ul style="list-style-type: none"> • <i>Outlined and explained in Chapter 3</i> <i><u>Section 3.4: South Africa's small business policy</u></i> <i>3.4.1 Policy elements</i> <i>3.4.2 Government strategies entailing South Africa's small business policy</i> <i>3.4.3 Key support institutions and development finance institutions</i> <i>3.4.4 Other government interventions to support small business</i>
Policy evaluation	Policy objectives, outputs, outcomes and impacts are evaluated.	<ul style="list-style-type: none"> • <i>Performed in Chapters 4 and 6</i> <i>Section 4.6: Evaluating South Africa's small business policy</i> <i>Section 6.6: Descriptive statistics regarding policy evaluation</i> <i>Section 6.8: Inferential statistics to test hypotheses</i>

Source: OECD (2007:70).

Herrington *et al.* (2010:148) argue that small business advisory services and government institutions serving start-up and established businesses should be evaluated on actual performance. There is a difference between preparing a business plan, registering a business, and actually starting up the business to trade. Actual performance should be measured not by the number of business plans that have been funded, but the number of business plans that are translated into a business that is able to operate for more than three months. It is imperative that the actual business is rewarded, and not the processes leading to business activity. However, these pre-start-up processes are critical to entrepreneurs' foundation. Government should build a long-term relationship with committed entrepreneurs from the pre-start-up until the post-start-up phases of a business venture's life cycle (Turton & Herrington, 2013:25).

Nevertheless, according to Ryan (2012:21) and Themba (2012:5), only a small number of business owners felt that government was doing enough to foster SME development, entrepreneurship, innovation and job creation. Policies have either done too little or not much at all to create effective support agencies which results in business start ups and growing businesses (Timm, 2011:9). An awareness of many government support schemes still remains low. It is not clear what impact SEDA is having in the small business landscape. Besides this, it is not known how effective their initiatives and programmes are (Delonno, 2010:14). Both business owners and government officials view government's support architecture as inept and perplexed (Terblanche, 2011:11). The public sector is still facing enormous challenges in their efforts to support the small business sector effectively.

Government needs to train their employees to be efficient and develop policies that show the country has the ability to create a beneficial environment for trade – an environment free from unnecessary burdens (Bukula, 2008:1; Troskie, 2008:15). There are a variety of different government-funded organisations which are mandated to promote SMME activity in South Africa (Simrie *et al.*, 2012:20). In several cases their activities tend to overlap. As researched by Herrington *et al.* (2010:147) a number of these organisations have proved to be singularly unsuccessful and were closed, only to be replaced by a larger organisation. Unless both the business model and operational capacity of these organisations

are significantly different to the organisations they replace, it is unlikely that they will offer services that are better (Timm, 2011:9).

A large percentage of SMMEs tend to fail within the survivalist category and generally tend not to have the potential for job creation. Even with SMMEs, there is no guarantee that they will realise their potential for job creation (Keith, 2013:1). In addition, a total of 80 % of all new businesses collapse within two years in South Africa (Hand, 2009:1). Start-ups tend not to progress beyond the nascent level. The prevalence rates for established business owner-managers are particularly disturbing (Herrington *et al.*, 2010:62). Emerging businesses need considerable support to enhance their likelihood of success. The challenge is to find effective and innovative ways to provide appropriate support services to entrepreneurs to enable their businesses achieve their full potential (Ligthelm, 2010:150).

According to Simrie *et al.* (2012:20) the GEM 2011 study reported that government policies and programmes have been cited as key constraining factors to small business and entrepreneurship since 2001. Turton and Herrington (2013:8) echoed the same findings in the GEM 2012 report. Inefficient government bureaucracy, restrictive labour regulations and a lack of suitable tax breaks for smaller businesses are major obstacles to business growth (Herrington *et al.*, 2010:89). The “red tape”, for example, registering and starting a business, opening a bank account, registering for tax and for value-added tax (VAT), remain critical challenges (Barron, 2013:5). A number of other policies that have a marked impact on business efficiency were also mentioned, including the government’s ineffective policies on crime and its BEE initiatives. The government’s BEE criteria placed additional burdens on small businesses, which had a negative impact on their profitability and sustainability (Lewis, 2012:18; Ryan, 2012:21).

Entrepreneurial activity is hindered by a poor skills base as well as severe environmental limitations including poverty, a lack of active markets and poor access to resources (Herrington *et al.*, 2010:67). It is therefore, perhaps, not surprising that many South Africans do not regard entrepreneurship as a positive and viable career choice. The deficiencies in the basic education system are problematic because it influences the quality of entrepreneurship education and

training (Turton & Herrington, 2013:36). Government should use every possible means at their disposal to help job seekers, especially young people, by investing in their education and skills (Themba, 2012:5; Wheatley, 2012:23). Moreover, the key to ensuring success of the SME sector is to equip aspiring entrepreneurs with both entrepreneurial and practical business skills (Mdluli, 2011:21). Entrepreneurial thinking is a necessity to properly identify and harness available business gaps. Advice on how to gain market access and funding is of equal importance (Hutchinson, 2009:3).

Spinelli and Adams (2012:96) recommend that a holistic approach to entrepreneurship should be followed. Ligthelm (2008:367) maintains that initiatives to promote and support small businesses need to focus on the small business sector as a whole. Furthermore, the human factor, especially entrepreneurial intentions and behaviour, needs to be acknowledged as the overwhelming force in small business success. Herrington *et al.* (2010:89) contend that government is considered to be too keen to tie entrepreneurial activity to its own programmes of social justice, black economic empowerment and service delivery. Entrepreneurial activity, as a social utility in its own right, should be understood otherwise it will not get the help it deserves. Instead, even though government claims to be supporting entrepreneurship, it provides lots of obstruction (Themba, 2012:5).

From the above discussion, it can be deduced that the small business policy is falling short in terms of entirely meeting the objectives and delivering the outputs, outcomes and impact as outlined in Chapter 3 (Tables 3.3 and 3.5). Policy interventions are not effectively addressing all the issues in support of the start-up and established business owners. Only the most crucial shortcomings are summarised in Table 4.4. It is compiled from sources discussed in this section and include the GEM South Africa reports (Herrington *et al.*, 2010:148; Simrie *et al.*, 2012:27; Turton & Herrington, 2013:36) and local credible sources (Barron, 2013:5; Masote, 2012:7; Timm, 2011:9).

Lerner (2009:111) states that the frequent failures among public programmes to stimulate entrepreneurship and venture capital suggest that many pitfalls face these efforts. The stark truth is that many more initiatives have been unsuccessful than successful. From Table 4.4 it can be deduced that this statement is certainly

true for South Africa where the government entrepreneurship programmes are not effective in developing entrepreneurs and contributing to the growth of entrepreneurship. While there are many agencies and programmes aimed at supporting entrepreneurship, there appears to be doubt as to the quality and efficacy of these interventions (Herrington *et al.*, 2010:147; Simrie *et al.*, 2012:42; Peters & Naicker, 2013:20).

Bukula (2008:1) and Mason and Brown (2013:213) state that “tweaking policy interventions here and there are not sufficient.” Something new, consistent and long-lasting is required. Davie (2012:18) agrees that many interventions in the economy over the past decade have been costly. These interventions have not achieved the promised positive results and have interfered in the efficient management of small businesses. South Africa needs a programme of action to increase its economic freedom. The country is still falling short of being in the top ranks for ease of doing business.

Building an entrepreneurial sector is a long-term endeavour, not an overnight accomplishment. Programmes that have initial promise should be given time to prove their merits. Prior research has indicated that the skills and techniques of minorities need more development in order to achieve greater levels of future success (Lerner, 2009:184; Gibson, Walker, Harris & Harris, 2010:103). South Africa’s policies need to cater for minority groups such as the young people, the disabled, women and African blacks (Turton & Herrington, 2013:6). In order to achieve a vibrant entrepreneurial society and activity in South Africa, it will have to increase the proportion of people who have confidence in their skill, knowledge and experience in starting and managing new enterprises to achieve business growth and economic sustainability (Diale, 2009:195).

Table 4.4: Shortcomings of the small business policy

SHORTCOMINGS OF THE SMALL BUSINESS POLICY	REFERENCES
<ul style="list-style-type: none"> Policy has done little to create effective support agencies to help business owners start up and grow their businesses. 	<ul style="list-style-type: none"> Timm (2011:9)
<ul style="list-style-type: none"> An awareness of many government support schemes remains low. 	<ul style="list-style-type: none"> Delonno (2010:14)
<ul style="list-style-type: none"> Government's support architecture is viewed as clumsy and confusing to business owners and public servants alike. 	<ul style="list-style-type: none"> Terblanche (2011:11)
<ul style="list-style-type: none"> High failure rate for start-ups, or the fact that they tend not to progress beyond the nascent level. 	<ul style="list-style-type: none"> Hand (2009:1)
<ul style="list-style-type: none"> Inefficient government bureaucracy. 	<ul style="list-style-type: none"> Turton & Herrington (2013:8) Herrington <i>et al.</i> (2010:89) Barron (2013:5) Lewis (2012:18) Ryan (2012:21)
<ul style="list-style-type: none"> Restrictive labour regulations. 	<ul style="list-style-type: none"> Herrington <i>et al.</i> (2010:89) Turton & Herrington (2013:8)
<ul style="list-style-type: none"> Lack of entrepreneurship skills. 	<ul style="list-style-type: none"> Hutchinson (2009:3) Mdluli (2011:21)
<ul style="list-style-type: none"> Lack of practical business skills. 	<ul style="list-style-type: none"> Hutchinson (2009:3) Mdluli (2011:21)
<ul style="list-style-type: none"> The quality of entrepreneurship education and training is not up to standard. 	<ul style="list-style-type: none"> Themba (2012:5) Wheatley (2012:21) Turton & Herrington (2013:8)
<ul style="list-style-type: none"> No measurement of the impact of government agencies. 	<ul style="list-style-type: none"> Herrington <i>et al.</i> (2010:148)
<ul style="list-style-type: none"> Lack of co-ordination of available government support services. 	<ul style="list-style-type: none"> Masote (2012:7)
<ul style="list-style-type: none"> The human factor, especially entrepreneurial intentions and behaviour, is not addressed. 	<ul style="list-style-type: none"> Ligthelm (2008:367)
<ul style="list-style-type: none"> Many South Africans do not regard entrepreneurship as a positive and viable career choice. 	<ul style="list-style-type: none"> Turton & Herrington (2013:36)
<ul style="list-style-type: none"> Entrepreneurial activity is not understood as a social utility in its own right. 	<ul style="list-style-type: none"> Herrington <i>et al.</i> (2010:89)
<p>Source: Own compilation.</p>	

4.6 THE NEED FOR AN ENTREPRENEURSHIP POLICY

An entrepreneurship policy influences entrepreneurial activity in a country and aims to motivate more new entrepreneurs (Stevenson & Lundström, 2007:107). The definition was previously defined in Chapter 1 (Section 1.2.7) and compared with the small business policy to determine its different features (Table 1.5, Section 1.3.1.3). The value of an entrepreneurship policy for South Africa was also addressed in Section 1.3.2.2. Additionally, the aims and objectives, main activities and outcomes of entrepreneurship policies were described in Chapter 2 (Section 2.8).

Ile *et al.* (2012:6) contend that governments need to be constantly aware of the needs of the communities they serve. They have to respond appropriately with a view to meeting those needs. The quality of the lives of citizens needs to be improved by introducing or improving the service that is needed. In effect, governments must seek to understand what is needed; the extent of the need and the context in which the need has to be addressed. Related issues have to be prioritised as well as consider how best the need can be satisfied. This will include determining the best-placed sphere (tier) of government or agency to be used for its delivery (Fourie, 2011:20).

Kerimova (2008:5) and Shevel (2012:9) are in agreement that entrepreneurship is vital for the South African economy. Factors such as institutional characteristics, culture, education, the regulatory environment, national demographics and the social culture of the nation all play a part in shaping the country's entrepreneurial landscape (Herrington *et al.*, 2010:14; Kelley *et al.*, 2011:58). Therefore, it is naïve to believe that all entrepreneurial efforts are constructive and developing policies will directly lead to an increase in the number of average or typical entrepreneurs. Policy makers need to realise that only a select few entrepreneurs will create the businesses that will alleviate and remove people out of poverty, encourage innovation and create jobs. Furthermore, not all entrepreneurs will contribute to reducing unemployment, making markets more competitive or enhance economic growth. Policy makers is tasked with the challenge to accept that all entrepreneurs are not created equal (Shane, 2009:146).

Through an entrepreneurship policy governments address four broad policy challenges: (1) influencing an entrepreneurial culture; (2) encouraging nascent entrepreneurs (by introducing people to the concept of entrepreneurship, instilling know-how and removing career disincentives); (3) converting nascent to actual entrepreneurs (by assisting them with access to opportunities and necessary resources to start their businesses); (4) supporting the first three to four years of start-up vulnerability to influence a positive survival and growth path (Stevenson & Lundström, 2007:107; Tsai & Kuo, 2011:8344).

Hoffmann (2007:142) alleges that entrepreneurship is not a single event, but a process that transforms an innovative idea into a growing business. Most new businesses exit as a result of failure, while others survive at, or near, the break-even point. Only a small minority of new businesses turn into high-growth businesses, also known as gazelles. Kelley *et al.* (2012:26) agree that in recognising that entrepreneurship exists in multiple phases, policy makers, practitioners and academics may turn their attention to the unique needs of people at particular points in this process. Initiatives may address how to identify, develop or motivate potential entrepreneurs and generate society-wide attitudes to support these people. Programmes may focus on the specific needs of people in the process of starting a business as opposed to those who are running new or established businesses.

An entrepreneurship policy is aimed at the pre-start, the start-up and the early post-start-up phases of the entrepreneurial process. It is designed and delivered to address the areas of motivation, opportunity and skills. The primary objective of encouraging more people in the population to consider entrepreneurship as an option, move into the nascent stage of taking actions to start a business and proceed into the entry and early stages of the business (Stevenson & Lundström, 2007:105). This entails policies and measures to create favourable conditions for the emergence of entrepreneurs and new firms and to address their unmet needs through the various phases of the entrepreneurial process.

The United Nations Conference on Trade and Development (UNCTAD, 2012:1) aims to support developing country policy makers and those from economies in transition in the design of initiatives, measures and institutions to promote entrepreneurship. It sets out a structured framework of relevant policy areas in an

overall entrepreneurship strategy that helps guide policy makers through the process of creating an environment that facilitates the emergence of entrepreneurs and start-ups, as well as the growth and expansion of new enterprises. It also recognises that in designing an entrepreneurship policy “one size does not fit all”. Stevenson and Lundström (2007:107) and UNCTAD (2012:2) have identified six priority areas for policy focus that have a direct impact on entrepreneurial activity. The different policy areas and policy objectives of the entrepreneurship policy framework were previously outlined and discussed in Chapter 2 (Section 2.8.4 and Table 2.3).

Similar policy components include entrepreneurship education, promotion, optimising the regulatory environment and financing. Different policy components entail Stevenson and Lundström’s (2007:107) business support for start-ups and target group measures. UNCTAD (2012:2) includes formulating a national entrepreneurship strategy and facilitating technology exchange and innovations.

In the next section, each of the different key components of the entrepreneurship policy framework (Table 4.5) will be analysed to determine which shortcomings of South Africa’s small business policy (as previously discussed and summarised in Table 4.4) it is able to address.

Table 4.5: Key components of an entrepreneurship policy framework

KEY COMPONENTS OF AN ENTREPRENEURSHIP POLICY FRAMEWORK	
Stevenson and Lundström (2007:107)	UNCTAD (2012:2)
1. Entrepreneurship education;	1. Enhancing entrepreneurship education and skills;
2. Reducing administrative, legislative and regulatory barriers to entry and exit;	2. Optimising the regulatory environment;
3. Business support for start-ups;	3. Promoting awareness and networking;
4. Target group measures;	4. Facilitating technology exchange and innovation;
5. Start-up and seed financing; and	5. Improving access to finance; and
6. Entrepreneurship promotion.	6. Formulating national entrepreneurship strategy.

Each component of the entrepreneurship policy framework suggests policy objectives and options in the form of recommended actions. Drawing conclusions from Table 4.6, it is clear that an entrepreneurship policy can make a difference to South Africa's entrepreneurial activity. Formulating a national entrepreneurship strategy can deal with the government's current clumsy support structure and lack of co-ordination. Enhancing entrepreneurship education and skills is vital in dealing with the lack of entrepreneurial thinking and mindset. Entrepreneurship promotion and networking can address the low awareness of government support services. Optimising the regulatory environment is crucial for the survival and growth of entrepreneurs.

Although explicit and targeted SME and entrepreneurship policies influence the creation of new firms and the development of SMEs, so also do other government policies which do not have such a focus (Tende, 2014:117). They are rarely the responsibility of the main SME department of government. These policies include control of interest rate and tax policies, social policies such as setting of unemployment benefits, the cost and time of starting a new business and the role of immigration and emigration. The challenge for SME and entrepreneurship policy makers is to identify these macro policies and their links to enterprise. It is then to seek to ensure that they work in a way which is congruent with the objectives of enterprise support (OECD, 2007:12).

There is an opposing argument that defies the relevancy of government policies. Individuals decide themselves whether or not to become entrepreneurs, irrespective of government efforts. The belief is that there is little that any government can do to increase the number of entrepreneurs. Others argue that entrepreneurs are the central factors of the free market system; the best that any government can do is not to be an obstruction. Serious students of the subject readily admit, however, that government actions can support or suppress entrepreneurship (Minniti, 2008:788).

Table 4.6: Determining the need for an entrepreneurship policy

SHORTCOMINGS OF THE SMALL BUSINESS POLICY	HOW AN ENTREPRENEURSHIP POLICY ADDRESS SHORTCOMING
1. Policy has done little to create effective support agencies to help business owners start up and grow their businesses.	<ul style="list-style-type: none"> • Formulating national entrepreneurship strategy
2. Government's support architecture is viewed as clumsy and confusing to business owners and public servants alike.	
3. No measurement of the impact of government agencies.	
4. Lack of co-ordination of available government support services.	
5. Inefficient government bureaucracy.	<ul style="list-style-type: none"> • Optimising the regulatory environment
6. Restrictive labour regulations.	
7. Lack of entrepreneurship skills.	<ul style="list-style-type: none"> • Enhancing entrepreneurship education and skills
8. Lack of practical business skills.	
9. The quality of entrepreneurship education and training is not up to standard.	
10. The human factor, especially entrepreneurial intentions and behaviour, is not addressed.	
11. Many South Africans do not regard entrepreneurship as a positive and viable career choice.	<ul style="list-style-type: none"> • Promoting awareness and networking
12. Entrepreneurial activity is not understood as a social utility in its own right.	
13. An awareness of many government support schemes remains low.	
Source: Own compilation.	

4.7 CONCLUSION

In this chapter a closer look was taken at policies, monitoring and evaluation. Policies are fundamental instruments for improving governance and delivery functions, and enhancing the quality of life of citizens. Monitoring is a process that involves collecting, analysing, and reporting data on inputs, activities, outputs, outcomes and impacts. Evaluation, in contrast, seeks to provide credible and useful information to answer specific questions.

Policy monitoring shows whether there is an alignment and a relationship between the policy and the activities of an institution or government. Policy evaluation provides the opportunity to go beyond merely reporting to understanding why phenomena take place. It also acknowledges the cause and effect between inputs, processes, outputs, outcomes, and impacts within an explicit conceptual / theoretical framework. In 2009 the government approved and implemented the current GWM&ES that encompasses validation and verification systems, data generation, decision-making and reporting. The primary weakness of policy co-ordination is aggravated by the measuring instruments used within the state. The current instruments do not measure the qualitative impact of policy programmes, decisions and interventions on society.

It is important to identify precisely *what* (the content) it is that will be evaluated. At the outset, it must be determined whether a whole small business programme is to be evaluated or whether the component parts are to be evaluated separately. *When* the evaluation should be conducted is an equally important consideration since it influences the depth and scope of an evaluation. In this study the small business policy is evaluated to determine whether it addresses the needs of start-up and established business owners.

A number of shortcomings were identified – namely, that the small business policy has done little to create effective support agencies to help business owners start up and grow their businesses. Government's support architecture is viewed as clumsy and confusing to business owners and public servants alike. A high failure rate for start-ups exists, and they tend not to progress beyond the nascent level.

Inefficient government bureaucracy and a lack of access to entrepreneurship skills were also identified.

An entrepreneurship policy can make a difference to South Africa's entrepreneurial activity by addressing the shortcomings of the small business policy. Formulating a national entrepreneurship strategy can deal with the government's support structure and lack of co-ordination. Enhancing entrepreneurship education and skills is vital in dealing with the lack of entrepreneurial thinking and mindset. In Chapter 5 the research design and methodology of the study will be discussed.

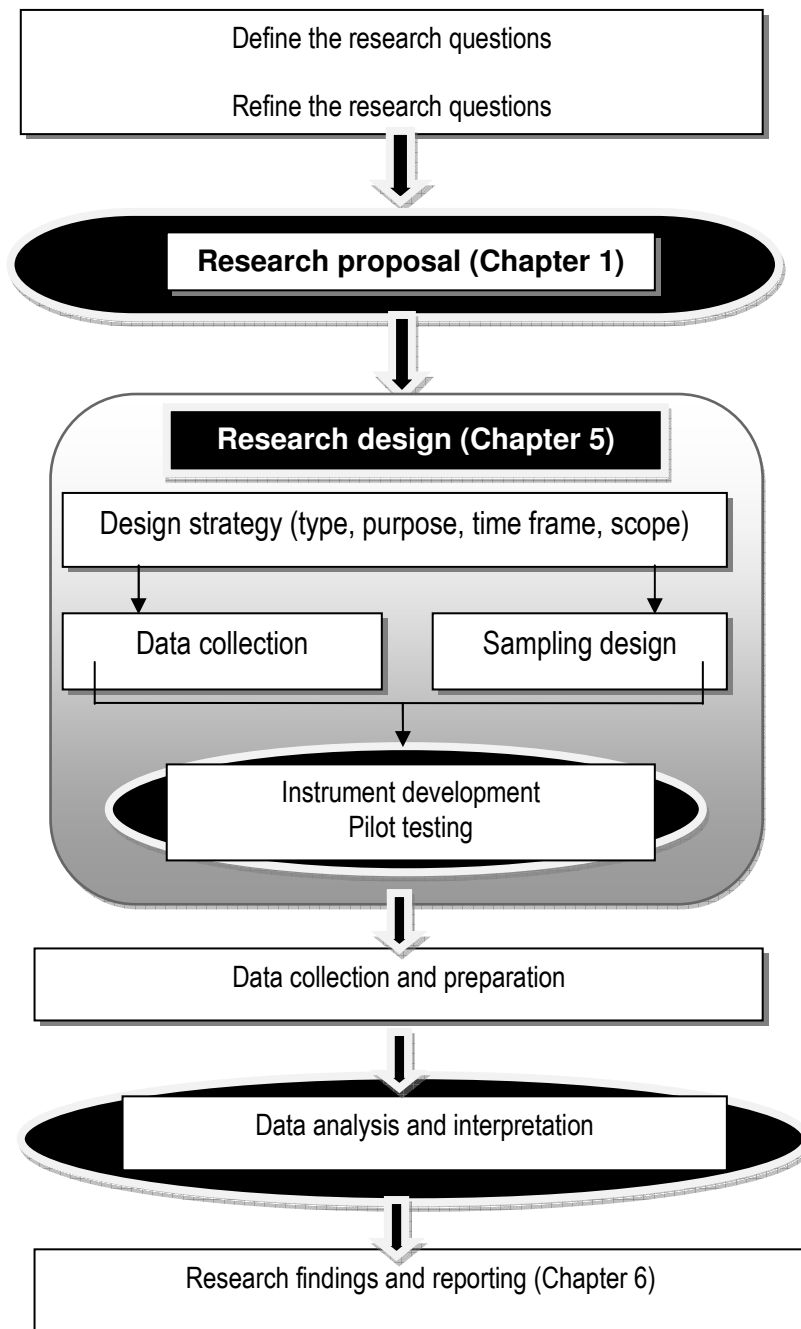
CHAPTER 5: RESEARCH DESIGN AND METHODOLOGY

5.1 INTRODUCTION

As a developing country, South Africa is in the unique position of exploring new avenues to boost small business development and entrepreneurship. A detailed review of small business and entrepreneurship policies were presented in Chapters 2, 3 and 4. This formed the theoretical framework on which the research process is build. The literature study revealed a need to conduct empirical research to evaluate South Africa's small business policy. The aim was to determine the shortcomings of the policy since the small business sector is not growing the way it should or could. This chapter is concerned with the research methodology and design utilised to evaluate the small business policy by taking a closer look at its features – namely, the objectives, outputs, outcomes and impact thereof on its target audience. Figure 5.1 illustrates the research process as used throughout the study. The most important objective of the study is to determine whether the small business policy adequately meets the needs of start-up and established business owners and if there is a need for an entrepreneurship policy.

In this study, the small business policy is the independent variable (IV), and the evaluation of the policy features and the business needs are the two dependent variables (DV). When the business was started (its age) and its location in the metropolitan municipality were also added and included as independent variables (IVs). The study hypothesised the relationship of the above independent and dependent variables. The empirical research was conducted between 01 November 2011 and 30 April 2012.

Basic (pure / fundamental) research will be undertaken in this study because the aim is not to directly solve a “real-life” organisational problem but to improve the understanding of small business policies and entrepreneurship within the South African context (Cooper & Schindler, 2011:12).



Source: Adapted from Cooper and Schindler (2011:80).

Figure 5.1: Research design in the research methodology process

This chapter aims to provide insight into the practical methods that were utilised to gather the data for the empirical research findings. This is a formal study which highlights research problems and hypothesis statements. It involves precise procedures and data source specifications. In this chapter, the problem statement,

objectives of the study, hypotheses, data collection procedures and data analysis methods are explained and discussed. It also describes how the research questionnaires were designed and measured to ensure that the researcher obtained valid responses from the respondents.

The research proposal was summarised in Chapter 1, in which the research problem and objectives were stated. As previously mentioned, this chapter takes an in-depth look at the research design, data collection and sampling design of the study. The data analysis and interpretation of the research findings are presented in Chapter 6.

5.2 THE RESEARCH PROBLEM

As stated at the outset in Chapter 1, both start-up and established businesses are operating in South Africa with the possibility of either growing into a small business or entrepreneurial venture. The differences between the latter two types of ventures were not genuinely considered when small business support was initiated. This study essentially evaluates the small business policy that were formulated and implemented to assist both start-up and established business owners. Ultimately, the aim is to make a worthwhile contribution to the area of small business and entrepreneurship policy.

The research questions posed in this study are:

- What are the differences between a small business and an entrepreneurship policy?
- What are the differences between a start-up and established business venture?
- What are the differences between a small business and an entrepreneurial venture?
- Does the small business policy address the needs of start-up businesses operating as small business ventures?
- Does the small business policy address the needs of start-up businesses operating as entrepreneurial ventures?
- Does the small business policy address the needs of established businesses operating as small business ventures?

- Does the small business policy address the needs of established businesses operating as entrepreneurial ventures?
- Is there a need for an entrepreneurship policy in South Africa?
- What should be the elements of an entrepreneurship policy in South Africa?
- Are there significant differences in the way that the small business policy addresses the needs of the selected metropolitan municipalities?
- Is there a correlation between the small business policy features and the needs of the start-up and established business owners?
- Are there significant differences between the selected metropolitan municipalities and their evaluation of the small business policy?
- Is there a correlation between the small business policy evaluation by the government officials and start-up and established business owners?

5.3 RESEARCH OBJECTIVES

The study formulated primary and secondary objectives which guide the direction of the study.

5.3.1 PRIMARY OBJECTIVE

The primary objective of the study is to:

- Evaluate the small business policy in South Africa to determine the need for and nature of an entrepreneurship policy.

5.3.2 SECONDARY OBJECTIVES

The secondary objectives of the study are to:

- Determine whether the **age** of a business has an effect on the level of agreement with respect to the **objectives, outputs and outcomes** of the small business policy;
- Determine whether the **metropolitan municipality** (in which a business venture is located) has an effect on the level of agreement with respect to the **objectives, outputs and outcomes** of the small business policy;

- Determine whether there exists a statistical significant difference between **start-up and established businesses** with regard to their views on the impact of the small business policy;
- Determine whether there exists a statistical significant difference between start-up and established businesses located in the selected **metropolitan municipalities** in the three provinces with regard to their views on the **impact** of the small business policy;
- Determine whether the **age** of a business has an effect on the level of importance of **established business owners' needs**;
- Determine whether the selected **metropolitan municipality** (in which the business venture is located) of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) has an effect on the level of importance of established business owners' needs;
- Determine whether the age of a business has an effect on level of importance of **start-up business owners' needs**;
- Determine whether the selected **metropolitan municipality** (in which the business venture is located) of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) has an effect on the level of importance of **start-up business owners' needs**;
- Determine whether there exists a statistical significant difference with regard to the **timing of when business support is needed** within start-up businesses and established businesses;
- Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) **for the government**; and
- Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) **for the start-up / established business owners**.

5.4 HYPOTHESES

Hypotheses rather than propositions are stated in this study. Propositions are statements concerned with the relationships among concepts that may be judged as true or false if it refers to observable phenomena (Cooper & Schindler, 2011:62). When a proposition is formulated for empirical testing, it is called a “hypothesis” (Blumberg, Cooper & Schindler, 2005:36). A hypothesis has to be subjected to empirical scrutiny and testing (Bryman & Bell, 2011:11; Zikmund *et al.*, 2013:40). A research hypothesis is a consequence of the research problem and can therefore be defined as “a reasonable conjecture, an educated guess” (Leedy & Ormrod, 2013:297). Hypotheses are more tentative in nature. They provide the researcher with a logical framework that guides the collection and analysis of data.

The hypotheses for the study are restated in Table 5.1 and the hypothesis testing is presented in Chapter 7.

Table 5.1: Hypotheses

<p>Null hypothesis (H₁₀):</p> <p>The age of a business does not have an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>	<p>Alternative hypothesis (H_{1a}):</p> <p>The age of a business has an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>
<p>Null hypothesis (H₂₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>	<p>Alternative hypothesis (H_{2a}):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>

<p>Null hypothesis (H3₀): There exists no statistical significant difference between the start-up and established business owners with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased. 	<p>Alternative hypothesis (H3_a): There exists a statistical significant difference between start-up and established business owners with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased.
<p>Null hypothesis (H4₀): There exists no statistical significant difference between the start-up businesses and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased. 	<p>Alternative hypothesis (H4_a): There exists a statistical significant difference between the start-up businesses and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased.
<p>Null hypothesis (H5₀): The age of a business does not have an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 5.(a) Business skills needed 5.(b) Entrepreneurial skills needed 5.(c) Business phase support 	<p>Alternative hypothesis (H5_a): The age of a business has an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 5.(a) Business skills needed 5.(b) Entrepreneurial skills needed 5.(c) Business phase support
<p>Null hypothesis (H6₀): The metropolitan municipality (in which the business venture is located) does not have an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 6.(a) Business skills needed 6.(b) Entrepreneurial skills needed 6.(c) Business phase support 	<p>Alternative hypothesis (H6_a): The metropolitan municipality (in which the business venture is located) has an effect on the level of importance of established business owners' needs with respect to:</p> <ol style="list-style-type: none"> 6.(a) Business skills needed 6.(b) Entrepreneurial skills needed 6.(c) Business phase support

<p>Null hypothesis (H7₀):</p> <p>The age of a business does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>	<p>Alternative hypothesis (H7_a):</p> <p>The age of a business has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>
<p>Null hypothesis (H8₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>	<p>Alternative hypothesis (H8_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>
<p>Null hypothesis (H9₀):</p> <p>There exists no statistical significant difference with regard to the timing of when business support is needed:</p> <p>1. Within start-up businesses and</p> <p>2. Within established businesses.</p>	<p>Alternative hypothesis (H9_a):</p> <p>There exists a statistical significant difference with regard to the timing of when business support is needed:</p> <p>1. Within start-up businesses and</p> <p>2. Within established businesses.</p>
<p>Null hypothesis (H10₀):</p> <p>There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group</p>	<p>Alternative hypothesis (H10_a):</p> <p>There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group</p>
<p>Null hypothesis (H11₀):</p> <p>There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group</p>	<p>Alternative hypothesis (H11_a):</p> <p>There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group</p>

The hypotheses will be tested empirically and are stated in a null and alternative format. The null hypothesis (H_0) indicates that no differences exist between groups or there is no relationship between measured variables (Field, 2009:27). The alternative hypothesis (H_a) indicates that there is a difference or relationship between the variables of the measures.

Hypotheses testing

A combination of deductive and inductive reasoning is used in this study to explain the hypotheses. Deductive reasoning is

the logical process of deriving a conclusion about the specific instance based on a known general premise or something known to be true (Zikmund *et al.*, 2013:43).

It can also be explained as “a form of argument that purports to be conclusive” (Cooper & Schindler, 2011:70). Conclusions should follow from the reasons obtained which imply the conclusion and represent the proof. After data were collected, it was analysed and conclusions deduced. This provides the proof to either reject or accept hypotheses. Inductive reasoning is the “logical process of establishing a general proposition on the basis of observation of particular facts” (Zikmund *et al.*, 2013:44). Cooper and Schindler (2011:72) argue that inductive argument is radically different because there is no such strength between reasons and conclusions. In induction conclusions are drawn from one or more particular facts or pieces of evidence. Therefore, inductive reasoning is used where data analysis suggests relationships between variables. However, while certain conclusions can be deduced about the hypothesis it may not be adequate to provide the reasons for the existence of a relationship. This study requires both deduction and induction.

The empirical findings are presented in Chapter 6 where conclusions will be deduced about the hypotheses. The hypotheses testing procedure is executed in Chapter 7 where the null or alternative hypotheses are accepted or rejected and conclusions drawn. According to Zikmund *et al.* (2013:509) a significance level is a critical probability associated with hypothesis testing. It is used to assist in choosing between the null hypothesis and the alternative hypothesis. The level of significance determines the probability level (0.05 or 0.01) that is to be considered

too low to warrant support for the null hypothesis. On the assumption that the null hypothesis being tested is true, if the probability of occurrence of the observed data is smaller than the level of significance, then the data suggests the null hypothesis should be rejected. The probability level can either be called the level of significance (for example, 5 % level of significance) or the level of confidence (for example, 95 % confidence level) or the Greek letter, α (for example, 0.05 alpha level) (Leedy & Ormrod, 2005:271).

There are two mistakes that can occur in hypothesis testing: a Type I error and a Type II error as shown in Table 5.2. These two errors can result in four possible situations when the null hypothesis can be either true or false, and the statistical decision will be either to accept or to reject the null hypothesis.

Table 5.2: Type I and Type II errors in hypothesis testing

State of null hypothesis in the population	Decision	
	Accept H_0	Reject H_0
H_0 is true	Correct – no error	Type I error
H_0 is false	Type II error	Correct – no error

Source: Field (2009:56).

Table 5.3 illustrates the linkages between the research objectives, hypotheses and the questions asked in the questionnaire.

Table 5.3 illustrates how the hypotheses were formulated from the primary and secondary research objectives. The hypotheses were then broken down into the different research concepts and constructs. The variables were identified and then linked to the questions in the two questionnaires.

5.5 RESEARCH DESIGN

The research design is based on this study's research problem, objectives and hypotheses which were first established in the previous sections. A research design is a master plan that specifies the methods and procedures for collecting and analysing the needed information. It provides a framework or plan of action for the research (Zikmund *et al.*, 2013:64; Bryman, 2012:46).

Table 5.3: Research organisation (research objectives, hypotheses and measurement questions)

Research objective	Hypotheses	Research concept / construct	Variables	Questions
PRIMARY AND SECONDARY RESEARCH OBJECTIVES				
Determine whether the age of a business has an effect on the level of agreement with respect to the objectives, outputs and outcomes of the small business policy.	<p>H1₀: The age of a business does not have an effect on the level of agreement with respect to objectives, outputs and outcomes of the small business policy.</p> <p>H1_a: The age of a business has an effect on the level of agreement with respect to objectives, outputs and outcomes of the small business policy.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses <ul style="list-style-type: none"> • Small business policy • Entrepreneurship policy 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business <ul style="list-style-type: none"> • Small business and Entrepreneurship policy objectives <ul style="list-style-type: none"> • Small business policy outputs • Small business policy outcomes <ul style="list-style-type: none"> • Policy evaluation 	<p>Annexure A & B: • Q 3</p> <p>Annexure B: • Q 7</p> <p>Annexure A: • Q 21; Q 30 & Q 31</p> <p>Annexure B: • Q 21</p> <p>Annexure A & B: • Q 22, Q 23</p> <p>Annexure A & B: • Q 24 & Q 25</p> <p>Annexure A: • Q 28, Q 29, Q 30 & Q 31</p> <p>Annexure B: • Q 28 & Q 29</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
Determine whether the metropolitan municipality (in which a business venture is located) has an effect on the level of agreement with respect to the objectives, outputs and outcomes of the small business policy.	<p>H2₀: The metropolitan municipality (in which the business venture is located) does not have an effect on the level of agreement with respect to the objectives, outputs and outcomes of the small business policy.</p> <p>H2_a: The metropolitan municipality (in which the business venture is located) has an effect on the level of agreement with respect to the objectives, outputs and outcomes of the small business policy.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses <ul style="list-style-type: none"> • Small business policy • Entrepreneurship policy 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business <ul style="list-style-type: none"> • Small business and Entrepreneurship policy objectives • Small business policy outputs • Small business policy outcomes • Policy evaluation 	<p>Annexure A & B: • Q 3</p> <p>Annexure B: • Q 7</p> <p>Annexure A: • Q 21; Q 30 & Q 31</p> <p>Annexure B: • Q 21</p> <p>Annexure A & B: • Q 22; Q 23</p> <p>Annexure A & B: • Q 24 & Q 25</p> <p>Annexure A: • Q 28; Q 29, Q 30 & Q 31</p> <p>Annexure B: • Q 28 & Q 29</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
<p>Determine whether there is a statistical significant difference between start-up and established businesses with regard to their views on the impact of the small business policy.</p>	<p>H3₀: There exists no statistical significant difference between start-up and established business owners with regard to their views on the impact of the small business policy.</p> <p>H3_a: There exists a statistical significant difference between start-up and established business owners with regard to their views on the impact of the small business policy.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses <ul style="list-style-type: none"> • Small business policy 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business <ul style="list-style-type: none"> • Small business policy impact 	<p>Annexure A & B: • Q 3</p> <p>Annexure B: • Q 7</p> <p>Annexure A & B: • Q 26 & Q 27</p>
<p>Determine whether there is a statistical significant difference between start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy.</p>	<p>H4₀: There exists no statistical significant difference between start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy.</p> <p>H4_a: There exists a statistical significant difference between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses <ul style="list-style-type: none"> • Small business policy 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business <ul style="list-style-type: none"> • Small business policy impact 	<p>Annexure A & B: • Q 3</p> <p>Annexure B: • Q 7</p> <p>Annexure A & B: • Q 26 & Q 27</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
Determine whether the age of a business has an effect on the level of importance of established business owners' needs.	<p>H5₀: The age of a business does not have an effect on the level of importance of established business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H5_a: The age of a business has an effect on the level of importance of established business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses • Business owners' demographics • Business ventures' demographics 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business • Gender • Ethnic group • Metropolitan municipality • Language • Age • Education • Business experience • Product/service offered • Employees • Sector • Form of ownership • Turnover/sales of venture • Break-even of venture • Profitability of venture • Competitors / product novelty • Customers • Growth objective 	<p>Annexure A & B: • Q 3</p> <p>Annexure B: • Q 7</p> <p>Annexure B: • Q 1 – 7</p> <p>Annexure B: • Q 8 – 16</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
		<ul style="list-style-type: none"> • Start-up business owners' needs • Established business owners' needs <ul style="list-style-type: none"> • Small business characteristics • Entrepreneurial venture characteristics 	<ul style="list-style-type: none"> • Markets • Financial support • Infrastructure • Business skills • Entrepreneurial skills • Business phase support <ul style="list-style-type: none"> • Internal and external features 	<p>Annexure B: •Q 17 & Q 19</p> <p>Annexure A & B: •Q 20</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
<p>Determine whether the selected metropolitan municipality (in which the business venture is located) has an effect on the level of importance of established business owners' needs.</p>	<p>H6₀: The metropolitan municipality (in which the business venture is located) does not have an effect on the level of importance of established business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H6_a: The metropolitan municipality (in which the business venture is located) has an effect on the level of importance of established business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses <ul style="list-style-type: none"> • Business owners' demographics <ul style="list-style-type: none"> • Business ventures' demographics 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business <ul style="list-style-type: none"> • Gender • Ethnic group • Metropolitan municipality • Language • Age • Education • Business experience <ul style="list-style-type: none"> • Product/service offered • Employees • Sector • Form of ownership • Turnover/sales of venture • Break-even of venture • Profitability of venture • Competitors / product novelty • Customers • Growth objective 	<p>Annexure A & B: • Q 3</p> <p>Annexure B: • Q 7</p> <p>Annexure B: • Q 1 – 7</p> <p>Annexure B: • Q 8 – 16</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
		<ul style="list-style-type: none"> • Small business characteristics • Entrepreneurial venture characteristics 	<ul style="list-style-type: none"> • Internal and external features 	Annexure A & B: <ul style="list-style-type: none"> • Q 20
<p>Determine whether the age of a business has an effect on level of importance of start-up business owners' needs.</p>	<p>H7₀: The age of a business does not have an effect on level of importance of start-up business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H7_a: The age of a business has an effect on level of importance of start-up business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses • Business owners' demographics 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business • Gender • Ethnic group • Metropolitan municipality • Language • Age • Education • Business experience 	Annexure A & B: <ul style="list-style-type: none"> • Q 3 Annexure B: <ul style="list-style-type: none"> • Q 7 Annexure B: <ul style="list-style-type: none"> • Q 1 – 7

Research objective	Hypotheses	Research concept / construct	Variables	Questions
		<ul style="list-style-type: none"> • Business ventures' demographics <ul style="list-style-type: none"> • Small business characteristics • Entrepreneurial venture characteristics 	<ul style="list-style-type: none"> • Product/service offered • Employees • Sector • Form of ownership • Turnover/sales of venture • Break-even of venture • Profitability of venture • Competitors / product novelty • Customers • Growth objective <ul style="list-style-type: none"> • Internal and external features 	<p>Annexure B: •Q 8 – 16</p> <p>Annexure A & B: •Q 20</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
<p>Determine whether the selected metropolitan municipality (in which the business venture is located) has an effect on the level of importance of start-up business owners' needs.</p>	<p>H8₀: The metropolitan municipality (in which the business venture is located) has an effect on level of importance of start-up business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H8_a: The metropolitan municipality (in which the business venture is located) has an effect on level of importance of start-up business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p>	<ul style="list-style-type: none"> • Start-up businesses • Established businesses <ul style="list-style-type: none"> • Business owners' demographics <ul style="list-style-type: none"> • Business ventures' demographics 	<ul style="list-style-type: none"> • Metropolitan municipality • Age of business <ul style="list-style-type: none"> • Gender • Ethnic group • Metropolitan municipality • Language • Age • Education • Business experience <ul style="list-style-type: none"> • Product/service offered • Employees • Sector • Form of ownership • Turnover/sales of venture • Break-even of venture • Profitability of venture • Competitors / product novelty • Customers • Growth objective 	<p>Annexure A & B: • Q 3</p> <p>Annexure B: • Q 7</p> <p>Annexure B: • Q 1 – 7</p> <p>Annexure B: • Q 8 – 16</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
		<ul style="list-style-type: none"> • Small business characteristics • Entrepreneurial venture characteristics 	<ul style="list-style-type: none"> • Internal and external features 	Annexure A & B: <ul style="list-style-type: none"> • Q 20
<p>Determine whether there exists a statistical significant difference with regard to the timing of when business support is needed within start-up businesses and established businesses</p>	<p>H9₀: There exists a statistical significant difference with regard to the timing of when business support is needed within start-up businesses and within established businesses.</p> <p>H9_a: There exists a statistical significant difference with regard to the timing of when business support is needed within start-up businesses and within established businesses.</p>	<p>Start-up businesses Established businesses</p> <p>Phases of business support</p>	<p>Age of business</p> <p>When is business support needed</p>	<p>Annexure B:</p> <ul style="list-style-type: none"> • Q 7 <p>Annexure A & B:</p> <ul style="list-style-type: none"> • Q 18

Research objective	Hypotheses	Research concept / construct	Variables	Questions
<p>Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) for the government.</p>	<p>H10₀: There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group.</p> <p>H10_a: There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group.</p>	<ul style="list-style-type: none"> • Government officials • Small business policy • Entrepreneurship policy <ul style="list-style-type: none"> • Start-up business owners' needs • Established business owners' needs 	<ul style="list-style-type: none"> • Metropolitan municipality • Small business and Entrepreneurship policy: Objectives Outputs Outcomes Impact Evaluation • Markets • Financial support • Infrastructure • Business skills • Entrepreneurial skills • Business phase support 	<p>Annexure A: • Q 3</p> <p>Annexure A: • Q 21, Q 22, Q 24, Q 26, Q 28, Q 29, Q 30 & Q 31</p> <p>Annexure A: • Q 17 & Q 19</p>

Research objective	Hypotheses	Research concept / construct	Variables	Questions
Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) for the start-up / established business owners.	<p>H11₀: There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group.</p> <p>H11_a: There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group.</p>	<ul style="list-style-type: none"> • Start-up business owners • Established business owners <ul style="list-style-type: none"> • Small business policy • Entrepreneurship policy <ul style="list-style-type: none"> • Start-up business owners' needs • Established business owners' needs 	<ul style="list-style-type: none"> • Age of business <ul style="list-style-type: none"> • Small business and Entrepreneurship policy: Objectives Outputs Outcomes Impact Evaluation <ul style="list-style-type: none"> • Markets • Financial support • Infrastructure • Business skills • Entrepreneurial skills • Business phase support 	<p>Annexure B: • Q 7</p> <p>Annexure B: • Q 21, Q 22, Q 24, Q 26, Q 28 & Q 29</p> <p>Annexure B: • Q 17 & Q 19</p>

There are two primary types of research methods that significantly influence the design of the research: qualitative and quantitative. “Qualitative research” focuses on words rather than numbers in the collection of data. Qualitative research is inductive and subjective (Quinlan, 2011:286). According to Cooper and Schindler (2011:160) qualitative research includes an array of interpretive techniques, which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency of phenomena. Qualitative researchers use small samples, discover ideas, observe, interpret and focus on discovering inner meanings and new insights (Zikmund *et al.*, 2013:135). “Quantitative research” usually focuses on gathering of numeric data or data in numerical form. Quantitative research is deductive, objective and attempts to measure something precisely (Cooper & Schindler, 2011:160; Quinlan, 2011:286). Quantitative researchers’ common purpose is to test hypotheses, employ large samples to produce generalisable results, and measure concepts with scales that either directly or indirectly provides numerical values (Zikmund *et al.*, 2013:135). The differences between the two types of research methods are very clear: it is words versus numbers. This study includes both qualitative and quantitative research methods.

Cooper and Schindler (2011:140) have grouped the research design issues using different descriptors. Each of these descriptors will be discussed next and a summary is provided in Table 5.4 which also illustrates the nature of this study’s research.

5.5.1 DEGREE OF RESEARCH QUESTION CRYSTALLISATION

A study may be viewed as “exploratory” or “formal”. The degree of structure and the immediate objective of the study differentiate the two types of studies from each other. “Exploratory” studies tend to be loose, and the immediate purpose is usually to develop hypotheses or questions for further research. The “formal” study commences where the exploratory study ends (Cooper & Schindler, 2011:140). This study is formal because the research question is known and it entails precise procedures and data source specifications. It is noted that all studies have element of exploration in them.

5.5.2 METHOD OF DATA COLLECTION

This classification distinguishes between “communication” and “monitoring” processes (Cooper & Schindler, 2011:141). This study utilises the “communication” method because the researcher questions the subjects and collects their responses by personal and impersonal means. Data were collected by conducting personal and telephonic interviews as well as using self-administered instruments. “Monitoring” includes studies about activities of a subject or nature of some material without attempting to elicit any responses.

5.5.3 CONTROL OF VARIABLES

The researcher can differentiate between “experimental” and “ex post-facto” designs in the case of manipulating variables. In an “experiment”, the researcher attempts to control and/or manipulate variables in the study. Experimentation provides the most powerful support possible for hypothesis of causation (Cooper & Schindler, 2011:141). For this study, the experimental design is not appropriate because the researcher has no control over the variables in the sense of being able to manipulate them. Therefore, the “ex post-facto” design is more apt because it can report only what has happened or what is happening.

5.5.4 PURPOSE OF THE STUDY

The main purpose of the study is “causal” in nature; there is at least one independent variable and one dependent variable in a causal relationship. In this study the independent variable (IV) is the small business policy and the dependent variables (DV) are “evaluating the policy features” and “business needs of start-up and established business owners”. The purpose of the study is to evaluate the small business policy features – namely, the objectives, outputs, outcomes and its impact on its intended audience. Furthermore, the study will determine whether the small business policy adequately meets the needs of the start-up and established business owners. This study will also inform government officials about the perceptions and standpoints of the target audience regarding the small business policy. The main purpose is to identify the shortcomings of the small business policy and whether South Africa needs an entrepreneurship policy.

5.5.5 TIME DIMENSION

Cooper and Schindler (2011:142) define a “cross-sectional study” as one that is carried out once and represents a snapshot of one point in time. Zikmund *et al.* (2013:195) confirm this definition and state that the data collected at a single point in time requires respondents to reflect only on their past experiences. Longitudinal studies are repeated over an extended period, which was not the case in this study. Owing to time constraints, this is a cross-sectional study.

5.5.6 TOPICAL SCOPE

The topical scope of this study was based on a statistical study and not a case study. Statistical studies are devised for breadth rather than depth. Hypotheses are tested quantitatively. The researcher attempts to capture a population’s characteristics by making inferences from a sample’s characteristics. As pointed out by Cooper and Schindler (2011:142) generalisations about the findings of a statistical study are based on the representativeness of the sample and the validity of the design.

5.5.7 THE RESEARCH ENVIRONMENT

The research environment refers to whether studies are conducted under actual environmental conditions (field conditions) or under staged or manipulated conditions (laboratory conditions) (Cooper & Schindler, 2011:142). This study took place under field conditions in the South African small business and entrepreneurial environment.

5.5.8 THE PARTICIPANTS’ PERCEPTUAL AWARENESS

Participants’ perceptual awareness influences the response behaviour. Cooper and Schindler (2011:143) emphasise that the usefulness of a design may be reduced when people in a disguised study perceive that research is being conducted. The start-up and established business owners, and government officials who completed the questionnaires might have answered the questions according to what is considered socially acceptable. It needs to be considered that the respondents in this study might have adapted their response behaviour.

Table 5.4 summarises the research design descriptors and illustrates the nature of this study's research.

The sample design will be discussed in the next section focusing on research population, the sample selection, sampling techniques, sample size and error.

5.6 SAMPLE DESIGN

Researchers rarely, if ever, have access to every member of a population. Therefore, data are collected from a small subset of the population known as a "sample" (Field, 2009:34). The data from the sample are used to infer things about the population as a whole. In other words, "a sample is a subset of a larger population".

5.6.1 SAMPLING

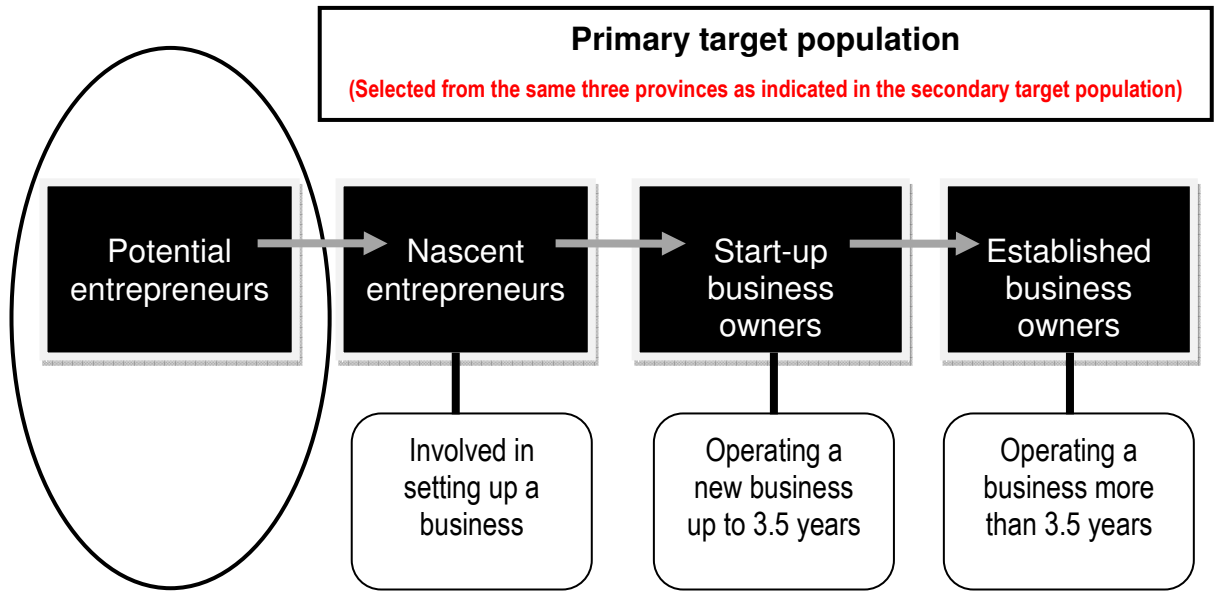
Reasons for using a sample instead of a census of the whole population of interest are mainly attributed to lower cost, greater accuracy and greater speed of data collection (Cooper & Schindler, 2011:364). The sample for this study consisted of government officials, start-up and established business owners located in selected metropolitan municipalities in South Africa.

5.6.2 POPULATION

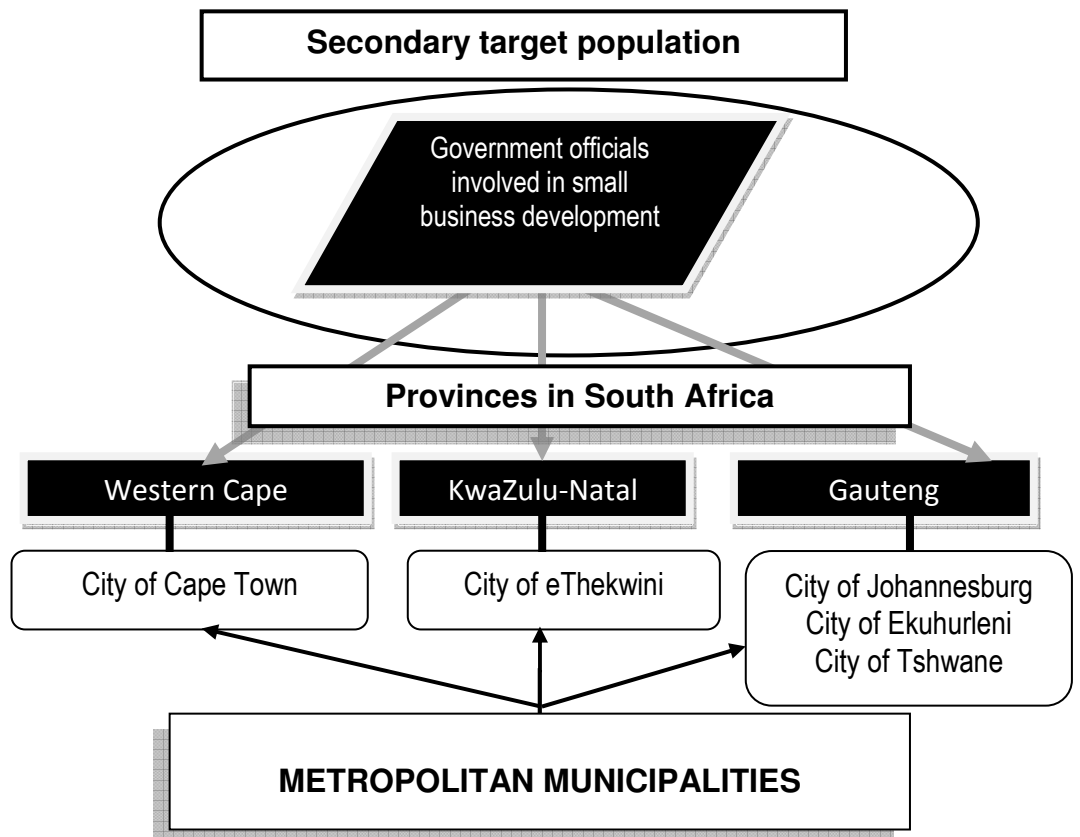
By selecting some of the elements in a population, the researcher may draw conclusions about the entire population. A population element is the individual unit, participant or case on which the measurement is taken (Quinlan, 2011:208). According to Zikmund *et al.* (2013:385) a population is any complete group of entities – for example, of people, business owners, metropolitan municipalities – that share some common set of characteristics. A population is who the researcher wishes to generalise the results to (Lee & Lings, 2008:269). This study consists of a primary and secondary target population as illustrated in Figure 5.2. The primary target population is the start-up and established business owners; and the secondary target population is the government officials involved in small business development and entrepreneurship.

Table 5.4: Descriptors of research design

Category	Options	Nature of this study
The degree to which the research question has been crystallised	<ul style="list-style-type: none"> • Exploratory study • Formal study 	<ul style="list-style-type: none"> • Formal study
The method of data collection	<ul style="list-style-type: none"> • Monitoring • Communication 	<ul style="list-style-type: none"> • Communication
The power of the researcher to produce effects in the variables under study	<ul style="list-style-type: none"> • Experimental • Ex post-facto 	<ul style="list-style-type: none"> • Ex post facto
The purpose of the study	<ul style="list-style-type: none"> • Reporting • Descriptive • Causal <ul style="list-style-type: none"> • Explanatory • Predictive 	<ul style="list-style-type: none"> • Causal (predictive)
Time dimension	<ul style="list-style-type: none"> • Cross-sectional • Longitudinal 	<ul style="list-style-type: none"> • Cross-sectional
The topical scope – breadth and depth – of the study	<ul style="list-style-type: none"> • Case study • Statistical study 	<ul style="list-style-type: none"> • Statistical study
The research environment	<ul style="list-style-type: none"> • Field setting • Laboratory research • Simulation 	<ul style="list-style-type: none"> • Field setting
The participants' perceptions of research activity	<ul style="list-style-type: none"> • Actual routine • Modified routine 	<ul style="list-style-type: none"> • Actual routine
Source: Adapted from Cooper and Schindler (2011:140).		



Source: Adapted from Kelley *et al.* (2012:5).



Source: Own compilation.

Figure 5.2: Research population

The sample frame is closely related to the population and refers to the list of all population elements from which the sample will be drawn (Cooper & Schindler, 2011:372), also called the “working population” (Zikmund *et al.*, 2013:388). Ideally, it is a complete list of the population members only. This study’s sample frame for the start-up and established business owners includes a list of population elements from the following Chambers of Commerce: Durban, Johannesburg, Ekurhuleni North, Cape Coast and Cape Town Regional. Members from the Tshwane Business Club were also included as well as from start-up and established business owners listed on online small business directories. The sample frame for the government officials includes a list of population elements from government departments and institutions involved with small business support and skills development. The determining factors highlight the sample frame for the start-up and established business owners that were taken into account when the sample was selected in the three provinces (Western Cape, KwaZulu-Natal and Gauteng) and include:

- Determinant 1:** Government officials at national, provincial and local municipal level involved specifically with small business support, development and implementation; and entrepreneurship;
- Determinant 2:** Business owners who were in the process of starting or who already started their business ventures. These business ventures had to be less than 3.5 years old when the study was conducted (start-up businesses).
- Determinant 3:** Business owners who have already established businesses that were 3.5 years old and more when the study was conducted (established businesses).

5.6.3 SAMPLE SELECTION

The sample size and the manner in which the sample has been selected influence the quality or value of the research. Leedy and Ormrod (2013:207) mention that there are different approaches to sampling, which fall into two major categories: probability sampling and non-probability sampling. In probability sampling, every

element in the population has a known, non-zero probability of selection, while in non-probability, the probability of any particular member of the population being chosen is unknown (Zikmund *et al.*, 2013:392). In probability sampling, each segment of the population will be represented in the sample and this is the distinguishing characteristic that sets it apart from non-probability sampling (Leedy & Ormrod, 2005:199). Table 5.5 summarises the available sampling techniques (Cooper & Schindler, 2011:377-387; Zikmund *et al.*, 2013:392-400; Leedy & Ormrod, 2005:199-206).

Table 5.5: Sampling techniques

Element selection	Probability sampling	Non-probability sampling
Unrestricted	Simple random	Convenience
Restricted	Complex random <ul style="list-style-type: none"> • Systematic • Stratified • Cluster • Double / Multi-phase 	Purposive <ul style="list-style-type: none"> • Judgemental • Quota Snowball
Source: Cooper & Schindler (2011:387).		

This study used a combination of two sampling techniques – namely, systematic and judgemental / purposive sampling. A systematic sampling technique is a probability sampling procedure. In this approach every k th element in the population is sampled, beginning with a random start of an element in the range of 1 to k . The k th element is also called the skip interval which is determined by dividing the sample size into the population size to obtain the skip pattern applied to the sampling frame (Cooper & Schindler, 2011:378). Systematic sampling is simple to design and easier to use than simple random sampling. This technique's disadvantages include the following: the periodicity within the population may skew the sample and results; and if the population list has a monotonic trend, a biased estimate will result based on the start point (Zikmund *et al.*, 2013:397).

Systematic sampling was used to select the start-up and established business owners specifically for telephonic interviews. However, it was not able to meet the total sample size requirements through the systematic sampling technique and had to be supplemented with purposive / judgemental sampling. More discussion regarding the disadvantages of telephonic interviews will follow in the data collection Section 5.7.1.

A purposive / judgemental sampling technique is a non-probability sampling procedure. With purposive / judgemental sampling, the sample is arbitrary and subjectively selected (Cooper & Schindler, 2011:385) to fulfil a purpose of providing answers to the study's research questions and objectives. Participating start-up and established business owners as well as the government officials were selected arbitrarily based on the access the researcher had to them. Although the sample was selected arbitrarily, the sample elements were still selected based on their adherence to the determinants mentioned in Section 5.6.2 – making it a purposive sample.

5.6.4 SAMPLE SIZE

The sample of the study consisted of twenty-three (23) government officials and 340 start-up and established business owners. The sample included respondents from three different provinces and every ethnic group in South Africa. Personal interviews were held with sixteen (16) government officials involved with small business support, development and implementation as well as entrepreneurial activities. The remaining seven government officials completed the questionnaires by themselves and forwarded it to the researcher via email. Figure 5.3 indicates the research population that explains the primary and secondary target populations. Out of the total of 340 start-up and established business owners, 187 respondents had businesses that were less than 3.5 years old and called “start-up businesses”. The remaining 141 respondents had businesses more than 3.5 years old and called “established businesses”. Unfortunately, twelve (12) respondents did not indicate when the business was started and could not be categorised accordingly as they failed to answer the screening question. One hundred and twenty-three (123) questionnaires were completed telephonically (systematic sampling). Out of a total of 217 respondents who were selected purposively /

judgementally, 193 questionnaires were completed by respondents attending an entrepreneurship course, and twenty-four (24) questionnaires were completed by active start-up and established business owners who met the critical criteria as stated in Section 5.6.2.

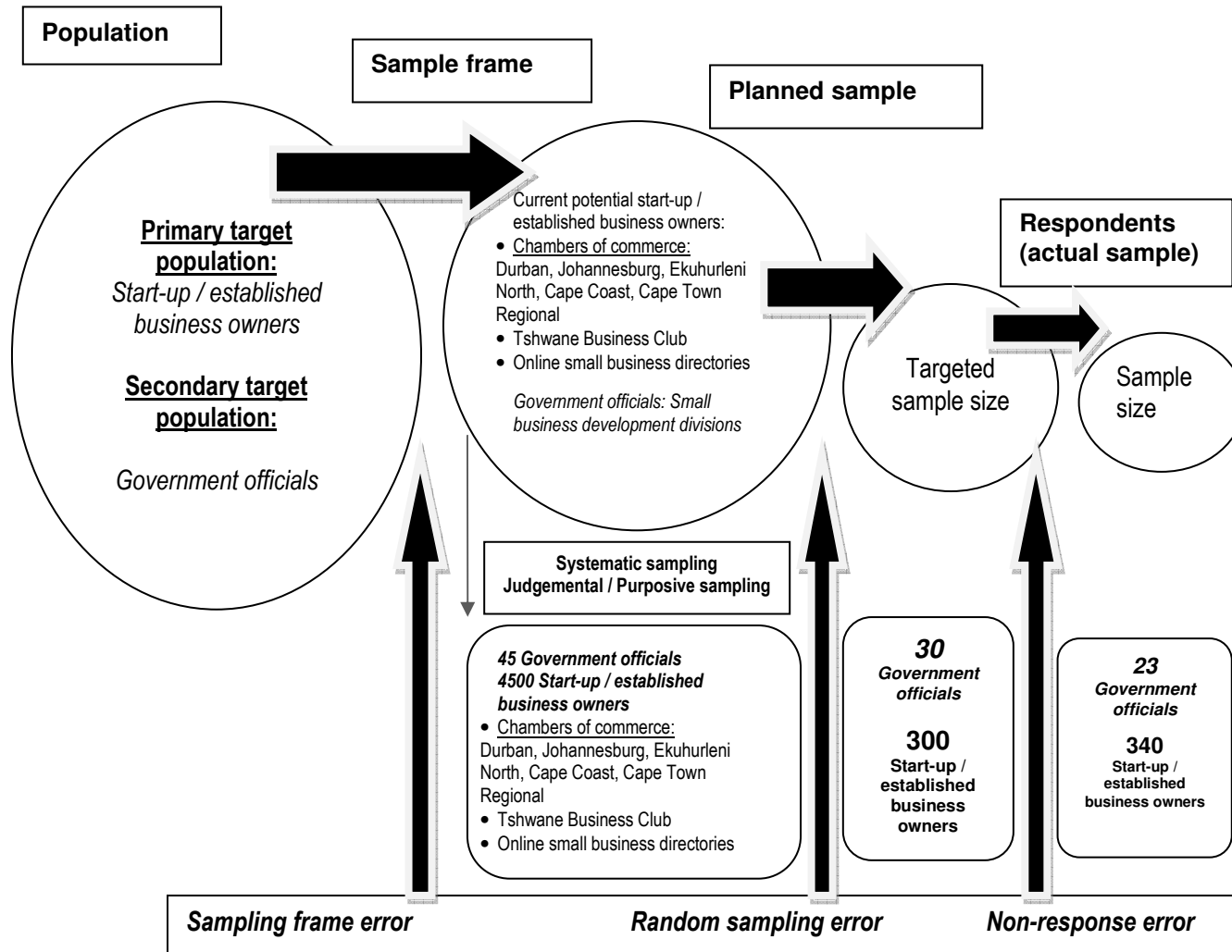
5.6.5 SAMPLE ERROR

A sample design should represent the characteristics of the population it contends to represent. The sample must be valid. “Validity” of a sample depends on two considerations: accuracy and precision (Cooper & Schindler, 2011:365). “Accuracy” refers to the degree to which bias is absent from the sample. A sample with adequate precision of estimate is one that has a sampling error within acceptable limits of the study’s purpose. “Random sampling error” is the difference between the sample result and the result of a census conducted using identical procedures. This error occurs because of chance variation in the scientific selection of sampling units (Zikmund *et al.*, 2013:391). Random sampling error is a function of sample size. As the sample size increases, the random sampling error decreases.

Systematic errors result from non-sampling factors, primarily the nature of a study’s design and the correctness of execution. Non-sampling error refers to the differences between the population and the sample that arise either from deficiencies in the sampling approach, such as inadequate sampling frame or non-response. Sampling frame error and non-response error are two forms of non-sampling errors (Bryman & Bell: 2011:176).

5.6.6 SUMMARY OF SAMPLE DESIGN

A diagram representing the summary of the sampling process designed for this study is illustrated in Figure 5.3.



Source: Own compilation

Figure 5.3: Sampling process

5.6.7 RESPONSE RATE

The “response rate” refers to the percentage of people agreeing to participate in survey research (Leedy & Ormrod, 2005:185). It is calculated by dividing the number of questionnaires returned or completed by the number of eligible people who were asked to participate in the survey. Response rate can also be defined as a count of the number of valid responses received through a data gathering exercise (Quinlan, 2011:342).

In communication research, various sources of error can occur, such as interviewer error and participant error which can ultimately have an effect on the response rate (Cooper & Schindler, 2011:243). Interviewer error occurs when the interviewer cannot secure full participant cooperation, which result in a sampling error, since the sample tends to be biased. If the interviewer fails to record answers accurately or completely, a data entry error occurs. Other interviewer errors include falsification of answers or interviews, influencing respondents’ behaviour or failure to establish an appropriate interview environment (Cooper & Schindler, 2011:244). Precautions were taken to avoid interviewer error. However, it cannot be ruled out for this study. Answers were thoroughly recorded, quality checks were conducted and respondents were ensured anonymity and confidentiality.

Participant errors occur if the respondent does not have the information required to answer the questions, does not understand his / her role in the interview or lack the motivation to cooperate (Cooper & Schindler, 2011:245). A non-response error occurs when the responses of participants differ in some way from the responses of non-participants. In fact the person’s responses are not useable. Zikmund *et al.* (2013:189) define non-response error as the statistical differences between a survey that includes only those who responded and a survey that also included those who failed to respond. This problem is especially critical in mail and Internet surveys, but non-response also threatens telephone and face-to-face interviews. The people who are contacted but refuse to cooperate are called non-respondents. A non-response occurs if no-one answers the phone at the time of the call or the person refuses or is unwilling to participate in the survey. These

factors significantly influenced the response rate in this study. Response bias occurs when respondents either consciously or unconsciously tend to answer questions with a certain slant that misrepresents the truth (Saunders, Lewis & Thornhill, 2012:381).

The researcher attempted to reduce the above-mentioned errors by all means possible. The planned and actual response rates for the primary and secondary target populations are presented in Table 5.6 according to the systematic and purposive / judgemental sampling techniques.

In Table 5.6 the response rate for the government officials and start-up and established business owners are presented according to the two sampling techniques – namely, systematic and purposive / judgemental sampling. It can be deduced that the planned response rate for the start-up and established business owners by means of systematic sampling was expected to be 118 % (150 respondents) while the actual response was 97 % (123 respondents). The low actual response rate confirms one of the limitations of telephonic interviews. In the case of purposive / judgemental sampling the planned response rate for the government officials was 65 % (30 respondents) while the actual response rate was 50 % (23 respondents). It was challenging to find available government officials who were willing to complete questionnaires either due to their heavy work load or lack of interest in the research study. Repeated attempts had to be made to gather data from this target population. The planned response rate for the start-up and established business owners was 73 % (177 respondents) while the actual response rate was much higher at 89 % (217 respondents). This result is mainly due to the availability of start-up and established business owners attending an entrepreneurship course which was accessible to the researcher.

Table 5.6: Actual response rate

Number of respondents	Sample frame	Systematic sampling	Planned response (Planned sample)	Actual response
Start-up and established business owners	4 500	127	150	123
Response rate			118 %	97 %
Number of respondents	Sample frame	Purposive / Judgemental sampling	Planned response (Planned sample)	Actual response
Government officials	58	46	30	23
Start-up and established business owners	244	244	177	217
Response rate				
Government officials			65 %	50 %
Start-up and established business owners			73 %	89 %
Source: Own compilation.				

5.7 DATA COLLECTION DESIGN

The method of data collection in this study was based on a communication approach in the form of a structured survey where data were collected by means of personal responses. Data collection involves the gathering of secondary and primary data. Secondary research was conducted in the form of a literature review (Chapters 1 to 4) to support the foundation and background of this study. Secondary data can be gathered from books, journals, newspapers and reports.

5.7.1 DATA COLLECTION

Primary qualitative and quantitative data were collected through personal interviews as well as telephonic interviews. A structured interview consisting of relevant questions was developed according to the research objectives. Face-to-face interviews are recommended because the researcher can establish rapport with the potential participants and can possibly gain their cooperation. It is also recognised for yielding the highest response rates. The researcher conducted the personal interviews with government officials.

Telephone interviews are less time-consuming, more cost-efficient than personal interviews (no travelling costs involved) and provide the researcher with access to anyone who has a telephone (Leedy & Ormrod, 2005:185). On the negative side, the interviewer cannot establish the same level of rapport with the interviewee as is possible with one-to-one face-to-face interviews; and cannot observe the responses of the interviewee to the interview questions and issues. It is also easier for an interviewee to terminate a telephonic interview or to withdraw than from a face-to-face interview, there are limitations to interview length and illustrations cannot be used (Quinlan, 2011:222; Cooper & Schindler, 2011:257). A major disadvantage is that telephonic interviews achieve lower response rates than for personal interviews (Bryman & Bell, 2011:207), and this is confirmed in this study. The telephone interviews were conducted by a reputable research company who has vast experience with data collection. Interviewers received thorough training and guidelines before they commenced with the interviews.

During the data collection period, an additional method was applied in order to increase the actual sample size. Questionnaires were administered in a controlled environment during a training course for start-up and established business owners making use of purposive / judgemental sampling.

5.7.2 QUALITATIVE SECONDARY RESEARCH

Content analysis was conducted on literature reporting on small business and entrepreneurship, which concentrated on key constructs describing the different needs of start-up and established business owners, the differences between small businesses and entrepreneurial ventures, government support initiatives and programmes, policy, policy evaluation, institutional and enabling environment. Research on small business needs, and small business and entrepreneurship policies was critically analysed to understand to what extent the small business policy addresses the different needs of start-up and established business owners. Gaps and shortcomings of the small business policy were identified. Table 5.7 highlights the qualitative secondary research design components used in this study.

Table 5.7: The qualitative secondary research design components

Component	Description
Research problem	To evaluate whether South Africa's small business policy addresses the needs of both start-up and established business owners; and to determine whether there is a need for an entrepreneurship policy.
Context	Small business policy and evaluation in the contemporary environment.
Hypothesis	<p>H1_a: The age of a business has an effect on the level of agreement with respect to objectives, outputs and outcomes of the small business policy.</p> <p>H2_a: The metropolitan municipality (in which the business venture is located) has an effect on the level of agreement with respect to the objectives, outputs and outcomes of the small business policy.</p> <p>H3_a: There exists a statistical significant difference between start-up and established business owners with regard to their views on the impact of the small business policy.</p> <p>H4_a: There exists a statistical significant difference between the start-up businesses and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy.</p>

<p>H5_a: The age of a business has an effect on the level of importance of established business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H6_a: The metropolitan municipality (in which the business venture is located) has an effect on the level of importance of established business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H7_a: The age of a business has an effect on level of importance of start-up business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H8_a: The metropolitan municipality (in which the business venture is located) has an effect on level of importance of start-up business owners' needs with respect to business skills needed, entrepreneurial skills needed and business phase support.</p> <p>H9_a: There exists a statistical significant difference with regard to the timing of when business support is needed within start-up businesses and within established businesses.</p> <p>H10_a: There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group.</p> <p>H11_a: There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group.</p>	
Units of investigation	Needs of start-up and established business owners; small business and entrepreneurship policy elements; and policy evaluation considerations.
Unit of analysis	Scientific literature.
Logic linking the data to the hypotheses	Literature research identified articles on the needs of start-up and established business owners, the key elements of small business and entrepreneurship policy; and the key considerations for policy evaluation, which form the framework for evaluating the policy. This was done to identify gaps and shortcomings of the small business policy. The resulting information was analysed against the hypotheses.
Criteria for interpreting the findings	Repeated mentioning in the literature of the different needs of start-up and established business owners, key small business and entrepreneurship policy elements and policy evaluation considerations which formed the basis for identifying key issues (themes) and developing the research framework.
Hypotheses are set to structure the research process in support of the research objectives.	
Source: Yin (2003:21).	

The qualitative secondary research process in this study entailed reviewing existing literature related to the hypotheses about the needs of start-up and established business owners, small business and entrepreneurship policies; and policy evaluation. The reason for this ‘thin description’ is to guide future focus areas for in depth research development. The collection of data was guided by the research questions (Section 5.2), research objectives (Section 5.3) and hypotheses as stated above.

The databases searched were ProQuest, EBSCOHost, Emerald and SABINET which enabled searches in many different journals. These databases were considered to be leading databases in small business, entrepreneurship, and policy evaluation. Academic sources and databases were searched with key words including “*small business*”, “*entrepreneurship*”, “*start-up and established business owners’ needs*”, “*small business owners’ needs*”, “*entrepreneurs’ needs*”, “*entrepreneurial ventures*”, “*government support initiatives*”, “*small business policy*”, “*entrepreneurship policy*”, “*institutional environment*”, “*policy monitoring and evaluation*”. Each article was screened for relevance to determine whether it could contribute to this study. If it could contribute, it was analysed further for relevant subject matter and included in the study.

The 32 journals reviewed may not be all-inclusive, but they do represent a range about the different needs of start-up and established business owners, government support initiatives, the elements of small business and entrepreneurship policy; and how to evaluate a policy. The work covers various aspects which have been dealt with in the literature review and used to design the questionnaires.

5.7.3 QUESTIONNAIRE DESIGN

A survey is the most common method of generating primary data (Zikmund *et al.*, 2013:65). Two (2) structured questionnaires were used to collect the empirical data. Special attention was given to question content, question wording and the response strategy (structured or unstructured response).

5.7.3.1 RESEARCH QUESTIONNAIRE DESIGN FOR GOVERNMENT OFFICIALS

The questionnaire (Annexure A) was used for collecting responses from government officials. It started with questions relating to informed consent and ensuring the confidentiality of responses by respondents. This questionnaire consists of 121 items which can be divided into four (4) sections:

- The **first section** of the questionnaire collected demographic data on the respondents: gender, ethnic group, province where government officials are located, home language, age, education, job title, length of time in this position and main job responsibility.
- The **second section** collected data on the clients of the government officials: age, gender, ethnic group, number of employees, type of industry, form of business ownership and annual turnover / sales.
- The **third section** of the questionnaire collected data on government support provided. Respondents had to rate four categories of support on a five-point scale and indicate the quality thereof. There was also a ranking question in this section. Government officials had to point out at which phase of a venture's life cycle they provide the most to the least support.
- The **fourth and final section** collected data on small business policy. Respondents had to evaluate the objectives, outputs, outcomes and impact of the policy. The questionnaire concluded with questions on whether or not they are familiar with an entrepreneurship policy; and how would an entrepreneurship policy differ from the current small business policy.

5.7.3.2 RESEARCH QUESTIONNAIRE DESIGN FOR START-UP AND ESTABLISHED BUSINESS OWNERS

The questionnaire (Annexure B) was used for collecting responses from start-up and established business owners. It started with questions relating to informed consent and ensuring the confidentiality of responses and respondents. Screening questions referred to the age of the business venture and identifying the appropriate respondent to complete the questionnaire. It was the researcher's aim to include an equal number of businesses less than 3.5 years and more than 3.5 years at the time the study was conducted. Respondents had to indicate

whether their business was either started in / before February 2008 or after February 2008. Only the business venture owner or manager was allowed to complete the questionnaire and not non-managerial employees who are not informed about the business' sales / turnover, profitability, break-even point and long-term objectives.

This questionnaire consists of 79 items and was divided into four sections:

- The **first section** of the questionnaire collected demographic data on the respondents: gender, ethnic group, metropolitan municipality where their businesses operate, home language, age, and education.
- The **second section** of the questionnaire collected data on the respondents' business venture information: number of employees, type of industry, form of ownership of their business, annual turnover / sales, length of time to break-even, profitability, number of businesses that is in direct competition with their business, number of employees and customers, and employee growth expectations.
- The **third section** collected data on the needs of start-up and established business owners. It was categorised into four groups of needs – namely, access to markets, finance, information and infrastructure; skills and knowledge to perform business functions; support needed during the different phases of the venture's life cycle; and lastly business assistance required. Respondents had to rate their needs on a five-point Likert scale. This section also included a question where the respondents had to rank the different phases of business support in terms of when they needed the most support to when the least support is needed.
- The **fourth and final section** collected data on the small business policy, in terms of how they evaluated the objectives, outputs, outcomes and impact thereof on them. Finally, the last sub-section dealt with the entrepreneurship policy and whether or not they are familiar with it. They also had to provide an opinion of how an entrepreneurship policy differs from the current small business policy.

5.7.3.3 MEASUREMENT OF RESEARCH QUESTIONNAIRES

This study's questionnaire adopted two categories of measurement questions (Cooper & Schindler, 2011:325). Classification questions identify socio-demographic variables that allow participants' answers to be grouped. These

questions can also be used as filters or screens to determine whether a participant has the requisite level of knowledge to participate. This type of question was used to screen the start-up and established business owners. Target questions (structured closed questions, or unstructured open questions) address the investigative questions of a study. This study adopted structured questions, as participants were presented with a fixed set of choices. Unstructured questions were also used as participants had to provide their own inputs and opinions to questions relating to the small business policy objectives, outputs, outcomes and impact. Furthermore, participants had to give their opinions on how an entrepreneurship policy would differ from the current small business policy. Government officials had to explain the policy evaluation process.

5.7.4 PILOT STUDY

Both questionnaires were first pilot tested on a total of five start-up and established business owners as well as five government officials that meet the target population requirements. Thereafter, they were excluded from the research study to avoid participant biasness. A group of experts including academics was also requested to comment on the questionnaire design and structure. It was essential that the respondents had to have no problems in understanding and answering the questions. Minimal changes were suggested by the respondents, experts and academics. The general feedback was positive. Minor modifications were made towards clarifying certain questions.

5.7.5 ADMINISTERING OF QUESTIONNAIRES

The administration process is outlined in Figure 5.4.

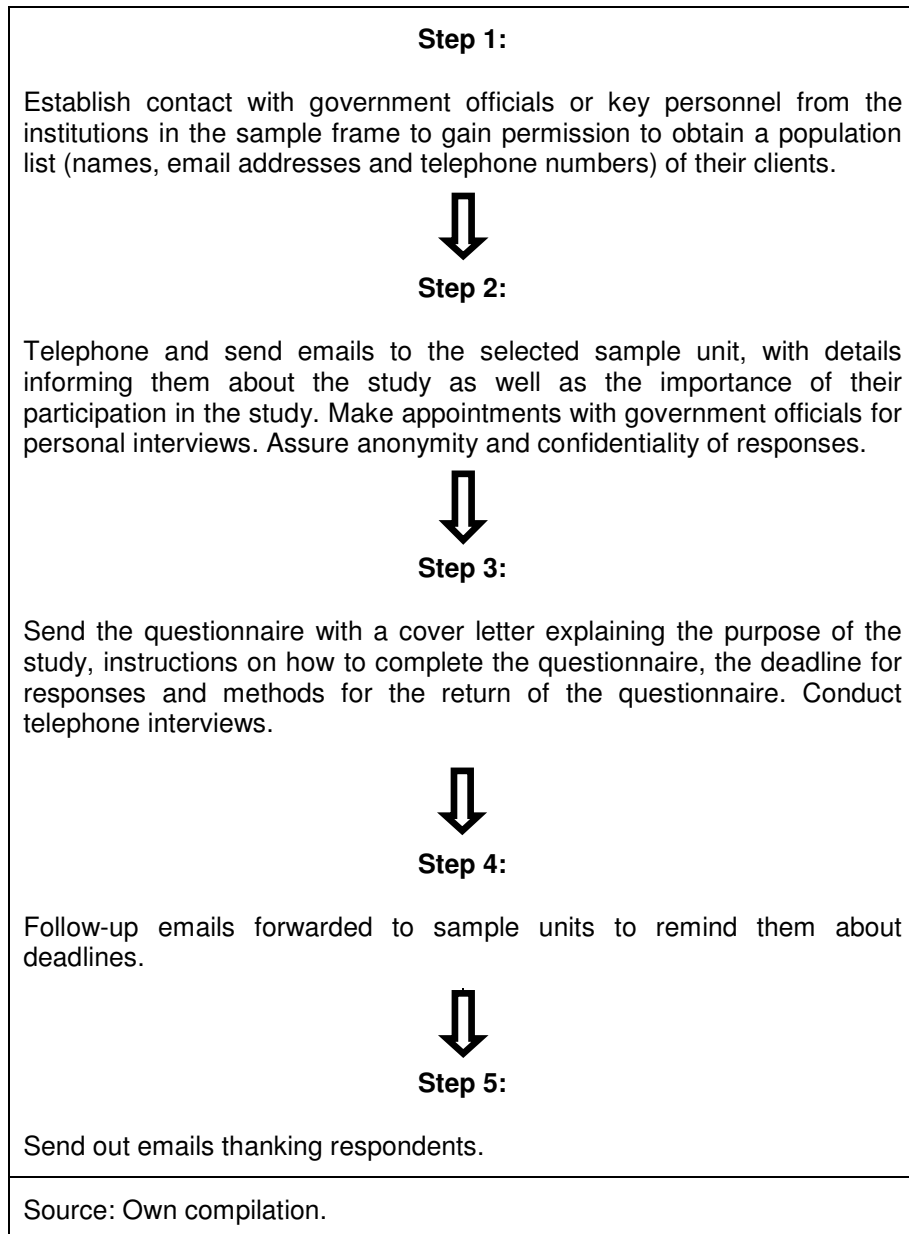


Figure 5.4: Administering the questionnaire process

In the final section of this chapter the data analysis procedure will be described by highlighting the measurement design, the validity and reliability of the measuring instruments as well as the errors that pose a threat to the reliability of interview data. Details regarding factor analysis, descriptive and inferential statistics are also addressed.

5.8 DATA ANALYSIS

Cooper and Schindler (2011:90) describe data analysis as a process that involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques.

5.8.1 MEASUREMENT DESIGN

Measurement in research consists of assigning numbers to empirical events, objects or properties, or activities in compliance with a set of rules (Cooper & Schindler, 2011:271). Zikmund *et al.* (2013:289) agree with this because they define measurement as a process of describing some property of a phenomenon of interest, usually by assigning numbers in a reliable and valid way.

5.8.2 LEVEL OF MEASUREMENT

For concepts and constructs, several types of measurement are possible. There are four different types of scales of measurement: nominal scales, ordinal scales, interval scales and ratio scales. All of these scales were incorporated in the research questionnaires. Nominal scales are used for variables whose categories cannot be rank ordered; also known as categorical. Ordinal scales are ranking scales, allowing items to be arranged based on how much of some concept they possess. Interval scales have both nominal and ordinal properties, but capture information about differences in quantities of a concept from one observation to the next. Ratio scales represent the highest form of measurement, in that they have all the properties of interval scales, with the additional attribute of representing absolute quantities, characterised by meaning absolute zero (Zikmund *et al.*, 2013:293-298).

The nominal scales represent the most elementary level of measurement (Zikmund *et al.*, 2013:293). This data type is used to collect information on for example, gender, that naturally or by design can be grouped into male or female categories that are mutually exclusive and collective exhaustive. Values are assigned for identification or classification purposes only. The use of an ordinal scale implies a statement of “greater than” or “less than” measurements without stating how much greater or less. It includes definitive positive statements with

which to agree or disagree (Cooper & Schindler, 2011:336). The interval scale possesses all the characteristics of an ordinal scale, and is characterised by variables where the distances between the categories are identical across the range (Bryman & Bell, 2011:341). The last scale is the ratio scale, which has all the features of an interval scale plus an absolute zero point (also known as true or natural zero). Table 5.8 outlines this study's measurement scales for certain questions in the questionnaire.

Table 5.8: Measurement scales

Measurement scales	Characteristics of data	Used in this study	Questions in questionnaire relating to certain measurement types	
			Annexure A	Annexure B
Nominal	Classification (mutually exclusive and collective exhaustive)	Yes	Q1, Q2, Q3, Q4, Q10, Q11	Q1, Q2, Q3, Q4, Q5, Q8, Q9
Ordinal	Classification and order	Yes	Q6, Q8, Q18	Q6, Q7, Q18
Interval	Classification, order and distance	Yes	Q17, Q20, Q21, Q22, Q24	Q17, Q20, Q21, Q22, Q24
Ratio	Classification, order, distance and natural origin	Yes	Q5	

Source: Own compilation.

From Table 5.8 it can be deduced that the two questionnaires mostly utilise nominal and interval scales. Ordinal and ratio scales are used to a lesser extent due to the nature of the questions.

5.8.3 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENTS

Research endeavours are underpinned by the question of credibility. It is the researcher's responsibility to ensure that the evidence and conclusions can be relied on and are valid. It is therefore imperative that this study have a good measurement instrument that needs to be tested for both reliability and validity. The internal validity and reliability of the data collected and the response rate achieved depend, to a large extent, on the questionnaire design and structure. Validity is the extent to which a test measures what it is suppose to measure and reliability has to do with accuracy and precision of a measurement procedure (Cooper & Schindler, 2011:280).

5.8.3.1 VALIDITY OF THE MEASURING INSTRUMENTS

According to Bryman (2012:47) and Leedy and Ormrod (2013:101) "internal validity" is concerned with the question of whether a conclusion that incorporates a causal relationship between two or more variables is valid, while "external validity" is concerned with the question of whether the results of study can be generalised beyond the specific research context. In relation to questionnaires, "internal validity" refers to the ability of a questionnaire to measure what the researcher intends to measure. "External validity" is concerned with whether the research findings indicate a generalisation of results of this study in order to accept or reject the hypotheses stated in this chapter (Cooper & Schindler, 2011:219).

There are three ways to ensure validity – namely, content validity, criterion-related validity and construct validity (refer to Table 5.9). The research questionnaire was designed on these premises.

Content or face validity of a measuring instrument is the extent to which the instrument reflects the content of the concept in question (Bryman, 2012:171). Scrutiny of the literature has been done prior to the development of the

questionnaire. The questionnaire was tested and discussed with small business practitioners who made sure that the questionnaire captured the necessary content and constructs, and a language editor made sure that it was sound in terms of instructions and wording.

Criterion-related validity is concerned with the ability of the measures to make accurate predictions as well as the ability of a measure to correlate with other standard measures of similar constructs or established criteria (Zikmund *et al.*, 2013:304). Criterion-related validity may be classified as either concurrent or predictive validity. In this study, correlation analysis (Chapter 6) proved that predictions can be made and that significant relationships do exist.

Construct validity exists when a measure reliably measures and truthfully represents a unique concept. It is the extent to which a measurement question actually measures the presence of the constructs that the researcher intended it to measure (Cooper & Schindler, 2011:281). Factor analysis can be utilised to confirm construct validity and it was executed for this study. A high Cronbach's Alpha coefficient (usually above 0.7) is regarded as indicating construct validity (Field, 2009:675; Saunders *et al.*, 2012:430). The results of the factor analysis will be presented in Chapter 6 and the instrument's construct validity will be determined with regards to testing the concept of small business policy and evaluation. Factor analysis is explained in more detail in Section 5.8.3.3.

Table 5.9: Summary of validity estimates

Types	What is measured	Methods
Content	Degree to which the content of the items adequately represents the universe of all relevant items under study.	<ul style="list-style-type: none"> • Judgemental
Criterion-related <ul style="list-style-type: none"> • Concurrent • Predictive 	Degree to which the predictor is adequate in capturing the relevant aspects of the criterion. <ul style="list-style-type: none"> • Description of the present; criterion data are available at the same time as predictor scores. • Prediction of the future; criterion data are measured after the passage of time. 	<ul style="list-style-type: none"> • Correlation
Construct	Answers the question, “What accounts for the variance in the measure?”; attempts to identify the underlying construct(s) being measured and determine how well the test represents it (them).	<ul style="list-style-type: none"> • Judgemental
Source: Adapted from Cooper and Schindler (2011:281).		

Six types of extraneous variables that may influence internal validity negatively are identified by Saunders *et al.* (2007:150). These variables are: History, testing, instrumentation, mortality, maturation and ambiguity about causal direction. Internal validity may be to a limited extent, be affected by the history variable because the background or experience of the respondents are unknown. An instrumentation problem may also affect the internal validity to a minor extent because different interviewers were used for the telephone interviews while the same interviewer was used for the face-to-face personal interviews (Cooper & Schindler, 2011:218; Saunders *et al.*, 2012:193).

5.8.3.2 RELIABILITY OF THE MEASURING INSTRUMENTS

A measure is reliable to the degree that it supplies consistent results. Reliability refers to the degree to which a measurement is free from random or unstable error (Cooper & Schindler, 2011:283). According to Diamantopoulos and Schlegelmilch (2000:33), reliability is a necessary but not sufficient condition for validity. If a measure is not reliable then it cannot be valid, but if it is reliable it may or may not be valid; put differently, a measure that is valid is also reliable but the reverse is not necessarily true. Reliable instruments are robust; they perform well at different times under different conditions. The distinction of time and condition is the basis for frequently used perspectives on reliability – stability, equivalence and internal consistency as shown in Table 5.10.

Table 5.10: Summary of reliability estimates

Types	Coefficient	What is measured	Methods
Test-retest	Stability	Reliability of a test or instrument inferred from examinee scores. Same test is administered twice to same respondents.	<ul style="list-style-type: none"> • Correlation
Parallel forms	Equivalence	Degree to which alternative forms of the same measure produce the same or similar results.	<ul style="list-style-type: none"> • Correlation
Split-Half, KR20, Cronbach's Alpha	Internal consistency	Degree to which instrument items are homogeneous and reflect the same underlying construct (s).	<ul style="list-style-type: none"> • Specialised correlational formulas
Source: Cooper and Schindler (2011:284)			

Saunders *et al.* (2012:192) have identified four errors that can pose a threat to reliability of interview data. All efforts were made to minimise these errors and include:

- **Subject or participant error:** This could occur if subjects under investigation are not representative of the population under study. The government officials concerned with small business and entrepreneurship development were regarded as experts in their departments and all had a key role to play in the support and development of start-up and established business owners. Screening questions were used in the telephone interviews to ensure that the subject is knowledgeable. The sample requirements have been met.
- **Subject or participant bias:** There was a possibility that subjects could perceive the topic as confidential and as such could be careful to avoid issues of a competitive and conflicting nature. The subjects were all perceived as highly approachable and open. The researcher committed to anonymity and confidentiality of responses.
- **Observer or interviewer error:** This could happen when more than one person conducts the interviews. In these situations there is a possibility for different approaches to elicit responses. In this study the interviews were conducted by the researcher as well as the interviewers of the reputable research company. The results of the researcher's interviews were captured and completed by either the respondent or the researcher. The telephone interviewers had the advantage of being both experienced and qualified in their job. During a consultation meeting they received additional training and guidelines relevant to the research objectives and questionnaire to minimise this error.
- **Observer or interviewer bias:** This could happen where replies are interpreted differently. The researcher as well as the telephone interviewers captured the results of the interviews on questionnaires which precluded this error from occurring.

Validity and reliability are two characteristics of sound measurement of a research study and is a prerequisite for research data to prevent possible shortcomings and pitfalls in research results (Cooper & Schindler, 2011:280). Factor analysis was executed to confirm both the validity and reliability of the measuring instruments (questionnaires) used in this study and is explained in the sections that follow.

5.8.3.3 FACTOR ANALYSIS

Factor analysis is executed on variables to strengthen the reliability of the research questionnaires used in this study. The main application of factor analysis techniques is to reduce the number of variables and to detect structure in the relationship between variables. It looks for patterns among variables to discover if an underlying combination of the original variables (a factor) can summarise the original set (Cooper & Schindler, 2011:530). The purpose of factor analysis is to examine the correlations among a number of variables and identify clusters of highly interrelated variables that reflect underlying themes, or factors, within the data (Leedy & Ormrod, 2005:274; Field, 2009:628).

Cronbach's Alpha coefficient (α) is used as a measure of reliability and it is produced as a result of factor analysis. It provides a measure of internal consistency. It can estimate the proportion of true score variance that is captured by the items by comparing the sum of the item variances with the variance of the sum scale. It can be computed using the following equation:

$$A = (k / (k - 1)) * [1 - \sum (S_i^2) / S^2 \text{ sum}]$$

If there is no true score but only error in the items (which is esoteric and unique and therefore uncorrelated across subjects), then the variance of the sum will be the same as the sum of variance in the individual items. Therefore, coefficient alpha will be equal to zero. If all items are perfectly reliable and measure the same thing (true score) the coefficient alpha is equal to 1 (Zikmund *et al.*, 2013:302).

The key descriptive results obtained from a factor analysis are the Eigen values and the factor loadings or Cronbach's Alpha coefficients. Eigen values, which equal the sum of the squared loadings for the variables on that factor, provide a measure of the percentage of variance in the contributing variables that is explained by the factor. The importance of the component or factor is measured by the size of the Eigen value in relation to the total variance available for distribution. The next step is to find the factor independent of the first factor that will exact most of the remaining available variance (Cooper & Schindler, 2011:547).

5.8.4 DATA PREPARATION / PROCESSING AND ANALYSIS

Data preparation includes editing, coding and data entry, and is the activity that ensures the accuracy of the data and its conversion from a raw form to a reduced and classified form that is more appropriate for analysis (Cooper & Schindler, 2011:402). According to Zikmund *et al.* (2013:460) editing is the process of checking the completeness, consistency, and legibility of data and making it ready for coding. The research questionnaires in this study were processed by the Department of Statistics at the University of Pretoria. The Statistical Package for the Social Sciences (SPSS) statistical package of the Statistical Analysis System (SAS) was used to conduct statistical analyses and compile descriptive and inferential statistics.

Cooper and Schindler (2011:90) describe data analysis as a process that involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques. Scale responses on questionnaires and experimental instruments often require the analyst to derive various functions, as well as to explore relationships among variables. A detailed analysis of the actual raw data collected is provided in Chapter 6.

5.8.4.1 DESCRIPTIVE STATISTICS

Descriptive statistics are a method used to describe the characteristics of a population or a sample. Descriptive statistical measures are used to depict the centre, spread, and shape of distributions (Cooper & Schindler, 2011:423). The most generally used descriptive statistics are frequencies, ranges, means, modes, medians and standard deviations (Quinlan, 2011:399). The characteristics of central tendency, variability and shape are useful tools for summarising distributions.

The frequency tables and cross-tabulations developed during the data preparation stage will be described in Chapter 6, which presents the results while determining the magnitude of specific factors. The results from cross-tabulations examine how scores recorded by the variables of interest reflect the relationship between them.

5.8.4.2 INFERENCE STATISTICS

This study's principal aim is to investigate the relationship between the dependent variable (evaluation of policy features) and the independent variable (small business policy) through inferential statistics. Thus, this study concentrated on testing statistical hypotheses. According to the statistical approach, this study would accept or reject a hypothesis on the basis of sampling information only. A difference has statistical significance if there is good reason to believe the difference does not represent random sampling fluctuations only (Cooper & Schindler, 2011:454; Field, 2009:53).

According to Quinlan (2011:399), the purpose of inferential statistics is to reach conclusions that extend beyond the data. It is used to infer, based on the study of a sample of a population, what the entire population might think, or do. Statistical inference uses the data gathered on a sample population to draw conclusions (or inferences) about the population from which the sample was drawn.

There are two general classes of significance tests: parametric and nonparametric tests. Parametric tests are more powerful because the data are derived from interval and ratio measurements. Non-parametric tests are used to test hypotheses with nominal and ordinal measurement (Cooper & Schindler, 2011:464; Leedy & Ormrod, 2013:282).

The following significance tests were employed in the inferential analysis of this study: One-Way ANOVA Test, the Kruskal-Wallis One-Way ANOVA Test, Friedman's Two-Way ANOVA Test, Chi-square Test, Mann-Whitney *U* Test and Pearson's correlation coefficient. During this study two sample cases (independent samples) and k-sample cases (independent samples) were measured.

5.8.4.2.1 One-Way Analysis of Variance (ANOVA) Test

In an ex post facto study comparing more than two independent sample means is common. The statistical method for testing that the means of several populations are equal (the null hypothesis), is the analysis of variance (ANOVA). It uses a single-factor, fixed-effects model to compare the effects of one variable or factor on a continuous dependent variable. Certain conditions must be met when

ANOVA is used. The samples need to be randomly selected from normal populations, and the populations should have equal variances (Cooper & Schindler, 2011:478; Diamantopoulos & Schlegelmilch, 2000:187). The test statistic for ANOVA is the F ratio.

If the null hypothesis is true, there should be no difference between the population means and the F ratio should be close to 1. If the population means are not equal, the numerator should manifest this difference, and the F ratio should be greater than 1. A second method of rejecting a null hypothesis is through the analysis of the p -value. If the p -value is less than the level of significance (0.01, 0.05 or 0.1), the null hypothesis can be rejected (Cooper & Schindler, 2011:480).

$$F = \frac{\text{between-groups variance}}{\text{within-groups variance}} = \frac{\text{mean square}_{\text{between}}}{\text{mean square}_{\text{within}}}$$

Where

$$\text{Mean square}_{\text{between}} = \frac{\text{sum of squares}_{\text{between}}}{\text{degrees of freedom}_{\text{between}}}$$

$$\text{Mean square}_{\text{within}} = \frac{\text{sum of squares}_{\text{within}}}{\text{degrees of freedom}_{\text{within}}}$$

The “between-group variability” is:

$$\sum_i n_i (\bar{Y}_{i\sim} - \bar{Y})^2 / (K - 1)$$

Where

- $\bar{Y}_{i\sim}$ Denotes the sample mean in the i^{th} group
- N_i Is the number of observations in the i^{th} group
- \bar{Y} Denotes the overall mean of data

The “unexplained variance” or “within-group” variability” is:

$$\sum_{ij} (Y_{ij} - \bar{Y}_{i\sim})^2 / (N - K)$$

Where:

- Y_{ij} Is the j^{th} observation in the i^{th} out of K groups
- N Is the overall sample size

5.8.4.2.2 Kruskal-Wallis One-Way Analysis of Variance (ANOVA) Test

When a normal distribution cannot be assumed, a nonparametric method, the Kruskal-Wallis One-Way ANOVA Test, can be used. Nonparametric tests have fewer and less stringent assumptions than parametric tests (Cooper & Schindler, 2011:675). The Kruskal-Wallis One-Way ANOVA tests the same null hypothesis as the Mann-Whitney *U* Test but across three or more independent groups rather than two groups (Diamantopoulos & Schlegelmilch, 2000:183). If there are three (3) groups, the null hypothesis is that population 1 equals population 2, which equals population 3. In other words, the Kruskal-Wallis Test is a technique to determine whether the three populations have the same distribution shape and dispersion. In this study the test was used for three independent samples (government officials, start-up business owners and established business owners) to test for differences between the samples.

The Kruskal-Wallis Test is a one-way analysis of variance by ranks. It assumes random selection and independence of samples and an underlying continuous distribution. Data are prepared by converting ratings or scores to ranks for each observation being evaluated. The ranks range from the highest to the lowest of all data points in the aggregated samples. The ranks are then tested to decide if they are samples from the same population (Field, 2009:560). The value of an *H* statistic is computed together with an exact level of significance.

k-samples' tests are more powerful than the χ^2 Test with data that are at least ordinal in nature. The Kruskal-Wallis Test is a generalised version of the Mann-Whitney *U* Test. With it all scores in the entire pool of observations are ranked from the smallest to largest. The rank sum of each sample is then calculated, with ties being distributed as in other examples. The value of *H* is computed as follows:

$$H = \frac{12}{N(N+1)} \sum_{j=1}^k \frac{T_j^2}{n_j} - 3(N + 1)$$

where

T_j = sum of ranks in column j

n_j = number of cases in j^{th} sample

N = $\sum w_j$ = total number of cases

k = number of samples

When there are a number of ties, it is recommended that a correction factor (C) be calculated and used to correct the H value as follows:

$$C = 1 - \left\{ \frac{\sum_i^G (t_i^3 - t_i)}{N^3 - N} \right\}$$

where

G = number of sets of tied observations

t_i = number tied in any set i

H' = H/C

To secure the critical value for H' , the table for the distribution of X^2 must be used, and entered with the value of H' and d.f = $k - 1$.

5.8.4.2.3 Friedman Two-Way Analysis of Variance (ANOVA) Test

The Friedman Two-Way ANOVA Test is appropriate when the data are ordinal. It tests matched samples, ranking each case and calculating the mean rank for each variable across all cases. It uses these ranks to compute a test statistic (Cooper & Schindler, 2011:468). It is used for testing differences between conditions when there are more than two conditions and the same participants have been used in all conditions (each case contributes several scores to the data) and the resulting data violate an assumption of one-way repeated measures ANOVA (Field, 2009:581).

Once the sum of ranks has been calculated for each group, the test statistic, F_r , is calculated as:

$$F_r = \left[\frac{12}{Nk(k+1)} \sum_{i=1}^k R_i^2 \right] - 3N(k+1)$$

5.8.4.2.4 Chi-square Test

The Chi-square (X^2) Test is probably the most widely used non-parametric test of significance. The test is used to determine significant differences between observed distribution of data among categories and the expected distribution based on the null hypothesis (Cooper & Schindler, 2011:469). The Chi-square Test was used in this study for two independent samples (start-up and established business owners) to test for differences between the samples.

According to Diamantopoulos and Schlegelmilch (2000:180), for Chi-square to operate properly, data should originate from random samples of multinomial distributions and the expected frequencies should not be too small. The traditional caution is that expected frequencies below five should not compose more than 20 % of the cells, and no cell should have an expected frequency smaller than one.

The formula by which the X^2 Test is calculated is

$$X^2 = \sum_{i=1}^k \frac{(O_i - E_i)^2}{E_i}$$

in which

O_i = observed number of cases in the i^{th} category

E_i = expected number of cases in the i^{th} category under H_0

k = the number of categories

There is a different distribution for X^2 for each number of degrees of freedom (d.f), defined as $(k - 1)$ or the number of categories in the classification minus 1:

$$\text{d.f.} = k - 1$$

With chi-square contingency tables of the two-samples or k-samples variety, both rows and columns are in the cross-classification table. In that instance, d.f. is defined as the number of rows minus 1 ($r - 1$) multiplied by the number of columns minus 1 ($c - 1$):

$$\text{d.f.} = (r - 1)(c - 1)$$

Independent Samples t-Test Calculation

$$t = \frac{\text{Sample mean 1} - \text{Sample mean 2}}{\text{Variability of random means}}$$

$$t = \frac{\bar{X}_1 - \bar{X}_2}{S_{\bar{x}_1 - \bar{x}_2}}$$

where

\bar{X}_1 = mean for group 1

\bar{X}_2 = mean for group 2

$S_{\bar{x}_1 - \bar{x}_2}$ = pooled, or combined, standard error of difference between means

$$S_{\bar{x}_1 - \bar{x}_2} = \sqrt{\left(\frac{(n_1 - 1)S_1^2 + (n_2 - 1)S_2^2}{n_1 + n_2 - 2}\right)\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}$$

Where

S_1^2 = variance of group 1

S_2^2 = variance of group 2

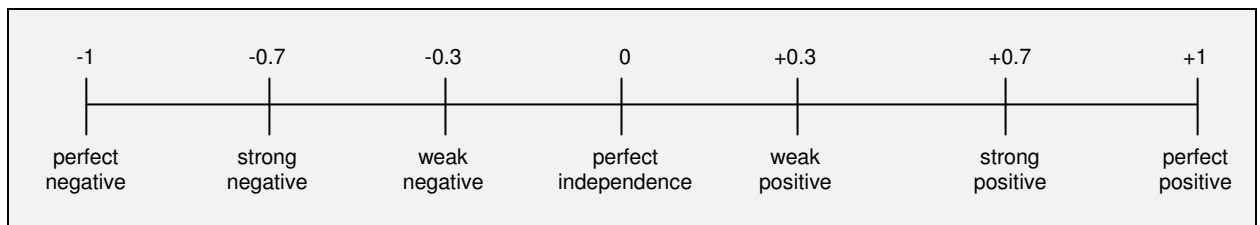
n_1 = sample size of group 1

n_2 = sample size of group 2

5.8.4.2.5 Pearson's correlation coefficient

According to Saunders *et al.* (2007:451), a correlation coefficient quantifies the strength of a linear relationship between two ranked or quantifiable variables. This

coefficient (usually represented by the letter r) can take on any value between -1 and +1. A coefficient value of +1 represents a perfect positive correlation. This means that the two variables are precisely related and that, as values of one variable increase, values of the other variable will proportionately increase. By contrast, a coefficient value of -1 represents a perfect negative correlation. This means that the two variables are precisely related; however, as the value of one variable increases those of the other proportionately decreases. Correlation coefficients between -1 and +1 represent weaker positive and negative correlations, a coefficient value of 0 means the variables are perfectly independent. It indicates that there is no linear relationship at all and if one variable changes, the other stays the same (Field, 2009:170).



Source: Saunders *et al.* (2007:451).

Figure 5.5: Values of the correlation coefficient

5.8.4.2.5 Mann-Whitney U Test

As previously mentioned a non-parametric test is designed to be used when data are not normally distributed and is most often used with categorical data. The Mann-Whitney (or ranked-sum) U Test is a non-parametric test that allows for testing group differences when the populations are not normally distributed or where data are skewed or a sample is small (Saunders *et al.*, 2012:509). The Mann-Whitney U Test is used in this study to examine group differences between the start-up and established business owners. This is done to establish whether there are significant differences between these two groups regarding their views on the impact of the small business policy.

5.8.4.2.6 Statistical significance

The different hypotheses that were stated earlier in this chapter will be tested in Chapter 6 and will be accepted or rejected in Chapter 7. Since any sample will almost surely vary somewhat from its population, it needs to be judged whether these differences are statistically significant or insignificant (Cooper & Schindler, 2011:454). A method of presenting the results of a statistical test reports the extent to which the test statistic disagrees with the null hypothesis. This method has become very popular because analysts want to know what percentage of the sampling distribution lies beyond the sample statistic on the curve. Most report the results of statistical tests as probability values (p -values). The p -value is compared to the significance level (α) and on that basis the null hypothesis is either rejected or not rejected. If the p -value is less than the significance level (0.05 or 0.01), then the null hypothesis is rejected. If the p -value is greater than or equal to the significance level, the null hypothesis is not rejected.

Table 5.11 outlines this study's measurement scales for certain questions in the questionnaire. It also summarises the statistical tests that have been discussed and that will be followed for the data analysis in Chapter 6.

Table 5.11: Summary of data analysis

Measurement scales	Characteristics of data	Used in this study	Questions in questionnaire relating to certain measurement types		Statistical tests
			Annexure A	Annexure B	
Nominal	Classification (mutually exclusive and collective exhaustive)	Yes	Q1, Q2, Q3, Q4, Q10, Q11	Q1, Q2, Q3, Q4, Q5, Q8, Q9	Descriptive statistics
Ordinal	Classification and order	Yes	Q6, Q8, Q18	Q6, Q7, Q18	Descriptive statistics Friedman Two-Way ANOVA Test
Interval	Classification, order and distance	Yes	Q17, Q20, Q21, Q22, Q24, Q26	Q17, Q20, Q21, Q22, Q24, Q26	Descriptive statistics One-Way ANOVA Test Kruskal-Wallis ANOVA Test Mann-Whitney <i>U</i> Test Pearson correlation coefficient
Ratio	Classification, order, distance and natural origin	Yes	Q5		Descriptive statistics
Source: Own compilation.					

From Table 5.11 it can be deduced that the four (4) different measurement scales were included and utilised in both research questionnaires. Nominal scales will play an important role in explaining and clarifying the descriptive statistics for both research samples. Ordinal and interval scales will mainly be used to collect data where the government officials and start-up and established business owners have to answer the questions on five-point scales. These scales will further explain the descriptive statistics. More specifically it will be used to analyse data inferentially with the aid of statistical techniques such as the Friedman Two-Way ANOVA Test, One-Way and Kruskal-Wallis ANOVA Tests, Mann-Whitney *U* Test and Pearson's correlation coefficient. A ratio scale was used for only one (1) question which required government officials to state their age.

5.9 CONCLUSION

Chapter 5 provided an explanation of the research design and methodology applied in this study. The research question, objectives, hypotheses, sample design, data collection procedure and statistical techniques were presented and explained.

In this study the independent variable (IV) is the small business policy and the dependent variables (DV) are "evaluating the policy features" and "business needs of start-up and established business owners". A cross-sectional research design consisting of a structured questionnaire containing both closed and open-ended questions was administered to government officials and start-up and established business owners.

The sample for this study consisted of three (3) groups – namely, government officials, start-up and established business owners – located in selected metropolitan municipalities in South Africa. The primary target population is the start-up and established business owners; and the secondary target population is the government officials involved in small business development and entrepreneurship.

The sample frame for the start-up and established business owners includes a list of population elements from specific Chambers of Commerce in South Africa,

members from the Tshwane Business Club as well as online small business directories. The sample frame for the government officials includes a list of population elements from government departments and institutions involved with small business support and skills development. A combination of two (2) sampling techniques – namely, systematic and judgemental / purposive sampling were used to meet the required sample size. The sample of the study consisted of twenty-three (23) government officials and 340 start-up and established business owners.

The methodology for the empirical part of the study was presented with specific description of the measurement instruments used, the descriptive statistics as well as the inferential statistics applied to investigate and summarise the research constructs. Data collection was primarily based on personal responses and was conducted in the form of research questionnaires (Annexures A and B). The statistical techniques discussed in the chapter include the One-Way ANOVA Test, Kruskal-Wallis One-Way ANOVA Test, Friedman Two-Way ANOVA Test, Mann-Whitney *U* Test, Chi-square Test and Pearson's correlation coefficient. Chapter 6 subsequently presents, explains and interprets the most significant findings obtained by applying the research methodology as explained in Chapter 5.

CHAPTER 6: RESEARCH FINDINGS

6.1 INTRODUCTION

From the literature review it is evident that start-up and established businesses have different needs. Yet, they have been provided with exactly the same support by government as stipulated in the small business policy. Due to this, the growth of the small business sector and the entrepreneurial activity rate has not been on par with its cohorts. The primary objective of the study was to evaluate South Africa's small business policy and to determine its weaknesses and shortcomings. Entrepreneurship policies were analysed to determine whether South Africa is in need of such a policy as well the nature thereof.

The purpose of Chapter 6 is to present, describe, summarise and interpret the research findings. These findings are based on the responses from the respondents who participated and completed the quantitative research questionnaires. The exploration of the literature on small business and entrepreneurship as well as policies enabled the development of two research questionnaires (Annexures A and B) as measuring instruments. Questionnaire A had to be completed by the government officials and Questionnaire B by a start-up / established business owner. The questionnaires were supplemented and enhanced by personal interviews with government officials who are involved with providing small business support and are responsible for entrepreneurial development.

Firstly, the descriptive statistics for this study will be presented, focusing on the personal demographics of the total sample, followed by the business venture demographics of the sample of start-up and established businesses. A brief summary is also provided of the demographics of the government officials' clients according to their knowledge. Secondly, the factor analysis and Cronbach alpha values will be discussed to illustrate the reliability and validity of the measuring

instruments that were utilised in this study. Thirdly, the inferential statistics are outlined that test the differences between groups of respondents as well as between the factors as measured against certain variables. This is followed by the measure of the significance of relationships or differences between the groups of respondents. One-Way ANOVA Test, Kruskal-Wallis One-Way ANOVA Test, Friedman Two-Way ANOVA Test, Mann-Whitney *U* Test, Chi-square Test and Pearson's correlation coefficient are then focused on in the next section.

6.2 PERSONAL DEMOGRAPHICS OF THE TOTAL SAMPLE

A descriptive analysis is provided to describe the total sample's personal demographic information which relates to the respondent's gender, ethnic group, the metropolitan municipality where the respondent is located, home language, age and level of education. The business venture demographic information included in the questionnaire relates to the age, the number of employees, the industry category, the form of ownership and the annual sales/turnover of the business. Furthermore, it covers the time it has taken for the business to break-even, the profitability, the competition, the number of customers and the employee growth expectations within the next five years of the business.

Forty six questionnaires (Annexure A) were distributed to the different government officials in the three (3) provinces and specifically to the five (5) metropolitan municipalities. Only 24 questionnaires were returned of which 23 were useable. This constitutes a response rate of 50 %. Annexure B was completed by 340 start-up / established business owners who were contacted telephonically as well as personally. The response rate according to the systematic sampling procedure is 97 % and according to purposive / judgemental sampling procedure is 89 % (refer to Table 5.5). Thus, the total sample size is 363 (23 government officials and 340 start-up / established business owners).

The demographic results of the empirical study are presented in the tables and figures that follow. The following abbreviations will be used in the tables: **Frequency = (n) and Percentage = (%)**. Figure 6.1 illustrates the gender of the total sample of government officials, start-up / established business owners.

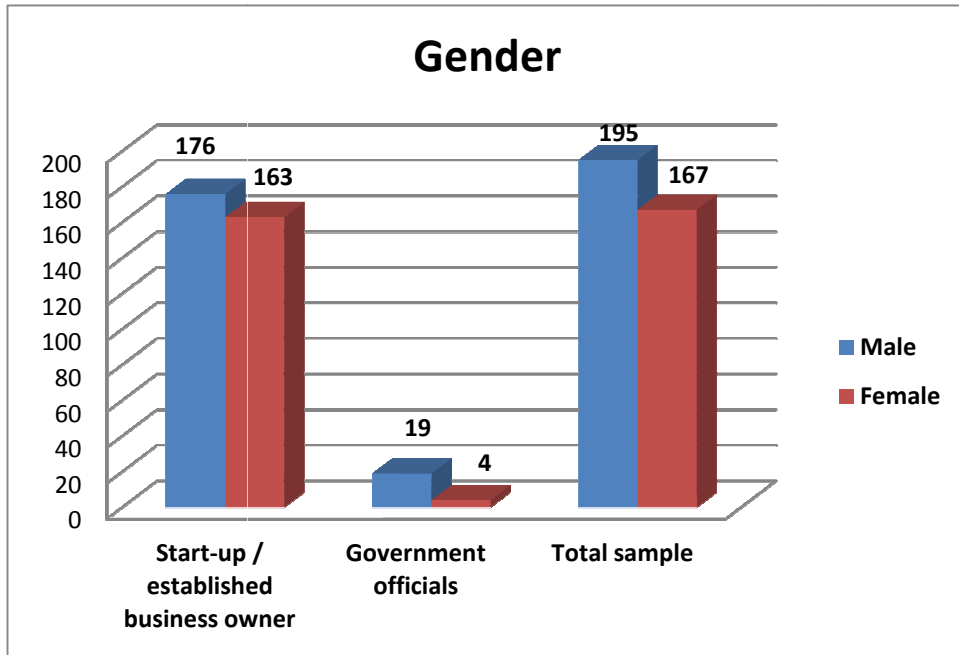


Figure 6.1: Gender of the total sample

From the total sample of 363 respondents, one (1) respondent did not complete the question on gender. As illustrated in Figure 6.1, from the total sample of 362 respondents who indicated their gender, 195 respondents were male (54 %) and 167 respondents were female (46 %). As far as the start-up / established business owners' gender is concerned, the sample is almost equally distributed between the 176 male (51.92 %) and 163 female (48.08 %) respondents. The government officials are predominantly male with 19 respondents (82.61 %) and four (4) females are only representing 17.39 %.

Table 6.1 indicates the ethnic group and racial composition of the total sample.

Table 6.1: Composition of the total sample by ethnic group

Ethnic group	Start-up / established business owner		Government officials		Total sample	
	n	%	n	%	n	%
Indian	18	5.37	2	8.70	20	5.59
*Coloured	26	7.76	5	21.74	31	8.66
Black Africans	220	65.67	13	56.52	233	65.08
White	70	20.90	3	13.04	73	20.39
Other	1	0.30	0	0.00	1	0.28
Total	335	100	23	100	358	100

*Coloured is a mixed race group in South Africa.

Table 6.1 indicates that 13 respondents of the government officials (56.52 %) and 220 start-up / established business owners (65.67 %) are Black Africans. This is followed by 70 White (20.90 %) and 26 Coloured (7.76 %) start-up / established business owners. With regards to the government officials, the number of Black Africans is followed by the five (5) Coloured (21.74 %) and three (3) White (13.04 %) respondents. The Indian respondents for both groups are in the minority and include 18 start-up / established business owners and two (2) government officials. In previous studies in South Africa (Esterhuyzen, 2011:60; Robertson, 2012:92) involving start-up and established businesses, more White people than Black African and Coloured people were included. This study makes a contribution to the field of entrepreneurship in South Africa because mostly Black African start-up / established business owners are included in the sample. According to Turton and Herrington (2013:43) in the GEM 2012 report, the percentage of Black Africans involved in early-stage entrepreneurial activity (83 %) has now exceeded the percentage of Black Africans in the overall population (73 %). Therefore, this study's sample is in line with the GEM report.

Figure 6.2 depicts the number of the start-up / established business owners and government officials interviewed from the five metropolitan municipalities of the three provinces studied in this research.

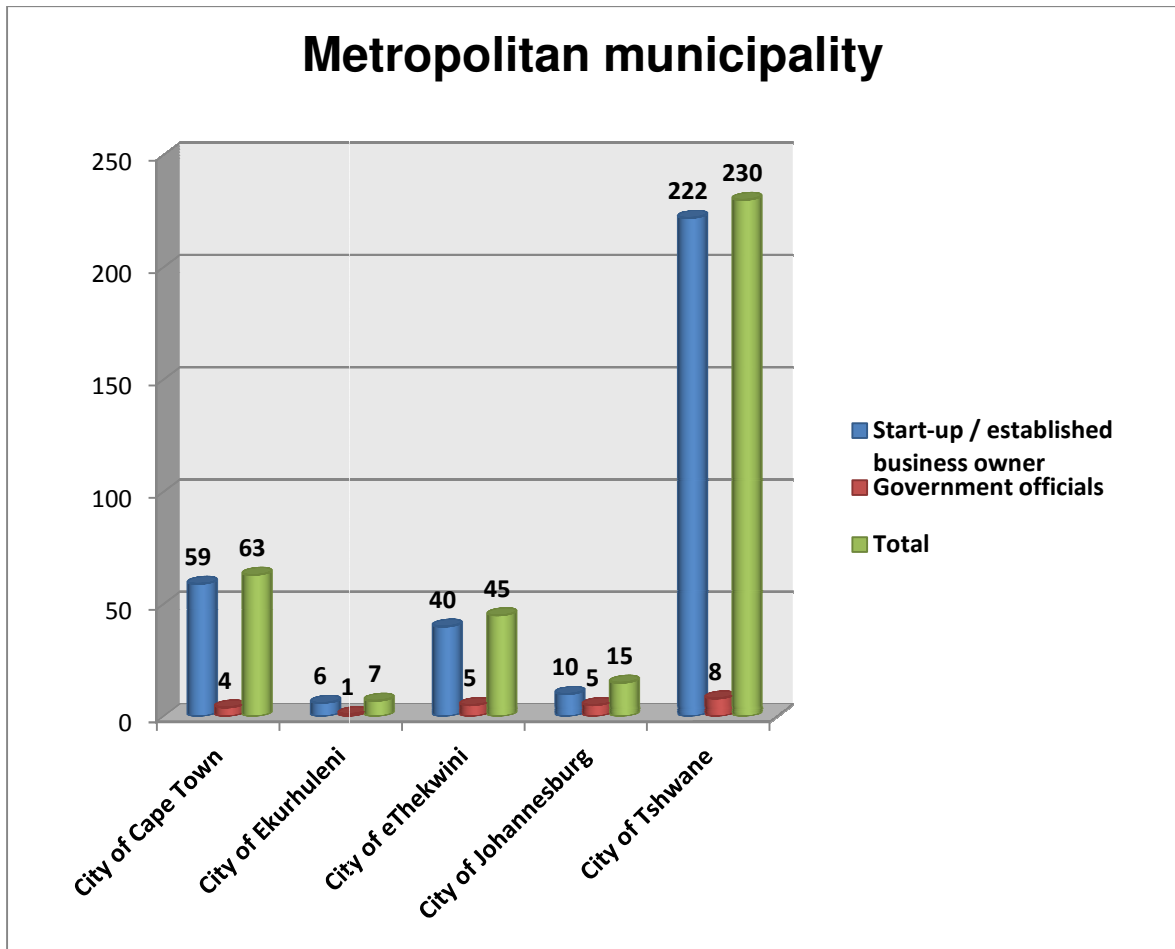


Figure 6.2: Metropolitan municipality of the total sample

The study was conducted in only three of South Africa's nine provinces – namely, the Western Cape, Gauteng and KwaZulu-Natal. As depicted in Figure 6.2, from the total sample (360 respondents) who completed this question, 222 were start-up / established business owners (65.88 %) and eight (8) were government officials (34.78 %) located in the City of Tshwane. The remaining 40 start-up / established business owner respondents were located in the City of Cape Town (17.51 %) and 59 respondents were from the City of eThekweni, KwaZulu-Natal (11.87 %).

The respondents in the total sample were mostly English speaking, probably because most of the respondents live in Gauteng Province as highlighted in Figure 6.2. English-speaking respondents include 90 start-up / established business owners (26.71 %) and five (22.73 %) government officials.

Table 6.2 summarises the age of the government officials' sample.

Table 6.2: Age of the government officials' sample

n	Mean age (years)	Standard deviation (years)	Minimum age (years)	Maximum age (years)
16	40.94	6.37	31	55

Table 6.2 indicates the standard deviation of the government officials' age as being 6.37 years. Cooper and Schindler (2011:426) explain that the standard deviation depicts how far from the average the values in the set are. In this sample, the standard deviation indicates that there is not a high deviation in ages from the average age of the government officials. The start-up / established business owners answered this question according to different age categories. Therefore, it was not possible to determine their standard deviation.

The average age of entrepreneurs in a study by Manalova *et al.* (2012:12) was 40.5 years. According to Botha (2009:31) the highest number of entrepreneurs is found in the 35 to 54 years age category because these individuals were first employed by someone else before pursuing an own-business venture. In this study, these findings confirm that this is still the situation. Ninety-two (92) entrepreneurs in start-up / established businesses (27.22 %) fall in the 30 to 39 years age category followed by 89 start-up / established business owners (26.33 %) in the 40 to 49 years age category. Seventy-eight (78) respondents (23.08 %) fall in the 20 to 29 years age category. Turton and Herrington (2013:42) found that early-stage entrepreneurial activity peaks among 25 to 34 years which corresponds with the findings in this study as well as with the study by Gwija *et al.* (2014:64). It is encouraging that more young people are taking entrepreneurial action to create self-employment.

One hundred and thirty (130) respondents (38.69 %) of the start-up / established business owner group have only a matric whereas 123 of the respondents (36.66 %) have a national diploma and/or other tertiary qualification. All 23 government officials (100 %) are well educated with six (6) respondents having an Honours degree (26.09 %) and six (6) a Master's degree (26.09 %).

6.3 BUSINESS VENTURE DEMOGRAPHICS OF THE START-UP / ESTABLISHED BUSINESS OWNERS' RESPONDENTS

This section describes the business venture demographics of the start-up / established business owners' respondents. Figure 6.3 illustrates the age of the business ventures included in the study.

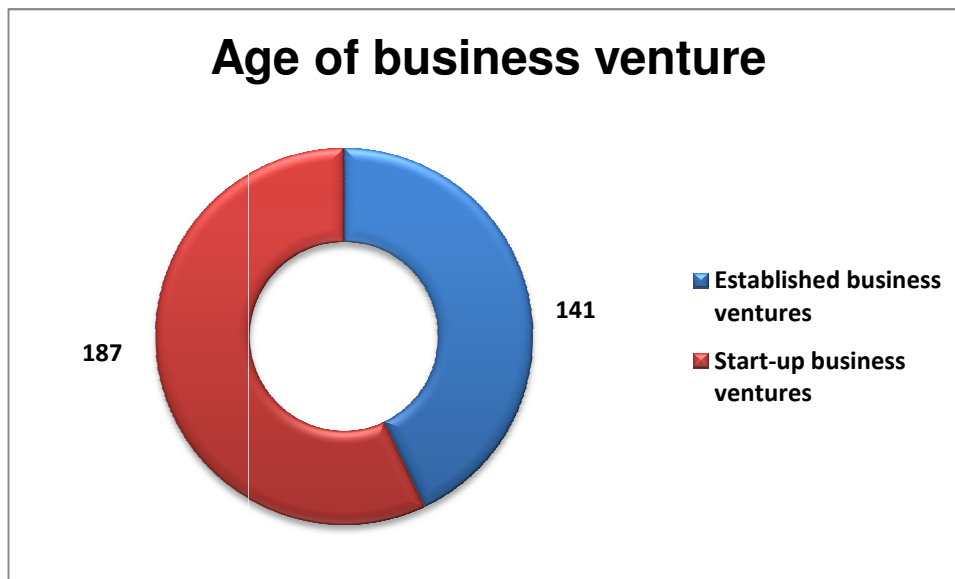


Figure 6.3: Age of the business venture of the start-up / established business owner

The number of years a business has been in operation and, therefore, the age of the business ventures are illustrated in Figure 6.3. One-hundred-and-eighty-seven (187) of the business ventures (57.01 %) included in the sample are start-up businesses which mean that they are younger than 3.5 years. The remaining 141 respondents (42.99 %) indicated that their business ventures are 3.5 years and older. These ventures are termed established businesses. The aim of the study is to determine how the needs differ between these two (2) groups of business ventures based on their age in terms of the number of years in existence.

Figure 6.4 illustrates the number of people employed by the business ventures included in this study.

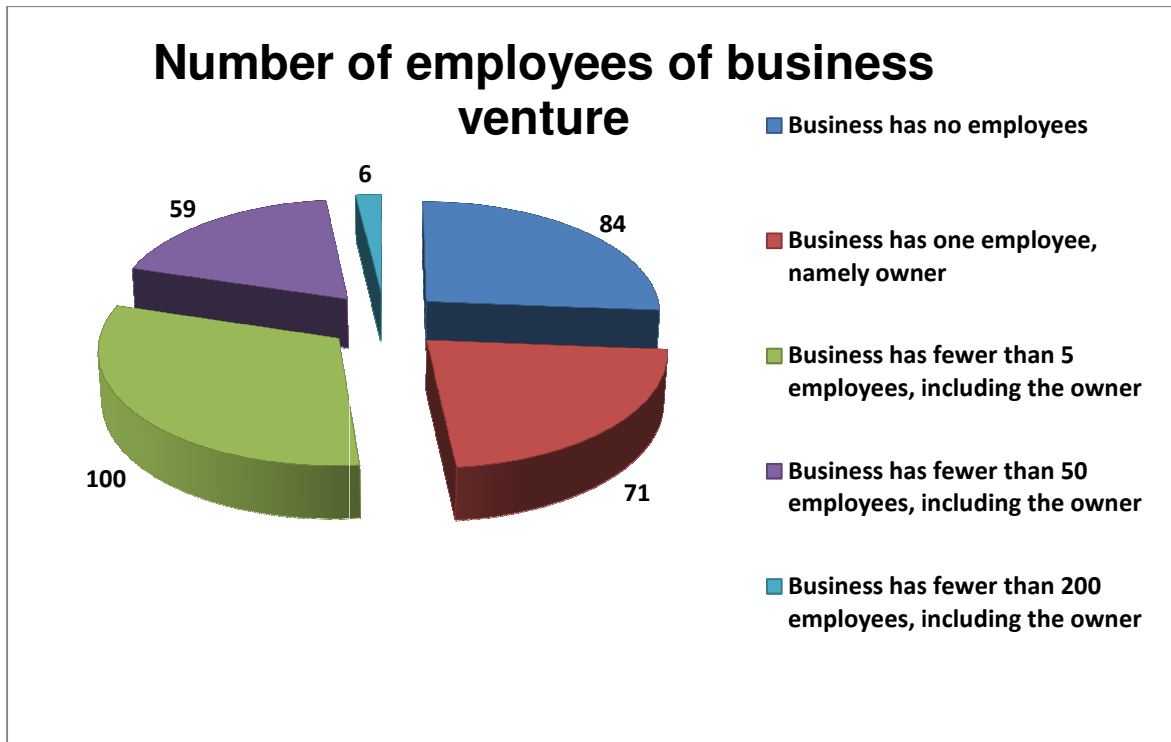


Figure 6.4: Number of employees of the start-up / established business owner

It is evident from Figure 6.4 that 100 respondents (31.25 %) employ fewer than five (5) employees including the owner. This is followed by 84 respondents (26.25 %) who are not employing anyone. At least 71 respondents (22.19 %) have created a job for themselves. These figures indicate the need for businesses to grow so that they will be able to employ more people and reduce the high unemployment rate in South Africa.

Respondents had to describe their venture’s core business or service. The researcher then categorised the responses into the different sectors as presented in Table 6.3.

Table 6.3: The sector which best describes the respondents' core business

Sector	Frequency	Percentage
Agriculture	19	5.92
Manufacturing	34	10.59
Construction	27	8.41
Retail, motor trade and repair services	76	23.68
Wholesale trade, commercial agents and allied services	1	0.31
Catering, accommodation and other trade	19	5.92
Transport, storage and communications	9	2.80
Finance and business services	65	20.25
Community, social and personal services	12	3.74
Other	59	18.38
Total	321	100

From Table 6.3, 76 respondents (23.68 %) indicated that their businesses were categorised in the retail, motor trade and repair services sector. Finance and business services sector attracted 65 start-up / established business owners (20.25 %). This study makes a valuable contribution since it was conducted across different sectors instead of only specific sectors.

An interesting finding regarding the form of ownership is that 162 respondents (49.09 %) mostly favoured close corporations above all the other forms of ownership. This corresponds with the findings of a study conducted by Peters and Naicker (2013:19). Close corporations possess legal personality and are separated from the owner which makes it a more recommendable form of

ownership than a sole proprietorship or partnership. According to the Companies and Intellectual Property Commission (CIPC), after the implementation of the Companies Amendment Act in 2011 (Act No.3 of 2011) (RSA, 2011), no new close corporations may be registered. No conversions from companies to close corporations are allowed. However, the existing close corporations will be maintained (RSA, 2011; CIPC, 2014:1).

One-hundred-and-five (105) of the respondents (43.93 %) indicated that their annual turnover / sales was below R150 000. A possible explanation for this result can be related to Figure 6.3 which indicated that 187 business ventures (57.01 %) are still in the start-up phase. These businesses still have to grow and develop. Thirty-one (31) respondents (12.97 %) have an annual turnover between R150 001 and R250 000. Only 19 respondents (7.95 %) had more than R5 million annual turnover / sales per year.

Respondents who indicated that they have not yet broken even in their businesses represent 105 of the start-up / established business owner group (22.59 %). For the 75 respondents (31.38 %) that did break-even, it took a period of three (3) months to one (1) year. Ninety-eight (98) respondents took longer than a year to reach break-even point.

It is interesting to note that 126 start-up / established business owners (54.08 %) included 55 profitable (23.61 %) and 71 just profitable (30.37 %) business ventures. This is deemed very positive for South Africa's economy in terms of growth and development. Almost a third (107) of the total sample of 340 start-up / established business owners (31.47 %) did not qualify to answer the question because their business venture was not one (1) year old or more at the time when the research study was conducted.

Product novelty is one of the challenges faced by many new South African businesses. These findings confirm the challenge of "me-too" businesses since 156 respondents' (52 %) business ventures are facing direct competition from many businesses. It was indicated by 124 respondents (41.33 %) that they have identified only a few businesses which are in direct competition with them.

The categories in Table 6.4 are compiled according to the GEM 2013 global report in terms of identifying high growth expectation early-stage entrepreneurial activity (Amorós & Bosma, 2014:38). This refers to the percentage of the total early-stage entrepreneurs who expect to employ at least 20 new employees, five (5) years from now.

Table 6.4: Number of employees expected within five years

Number of new employees expected within five (5) years	Frequency	Percentage
0 to 5 new employees	79	26.60
6 to 19 new employees	82	27.61
20 or more new employees	136	45.79
Total	297	100

In Table 6.4, the findings reveal that 136 respondents (45.79 %) expect a high growth in their business and aims to employ 20 or more new employees within the next five (5) years. Job creation is of critical importance to South Africa and if this is the goal of the start-up and established businesses, then it is highly commendable. However, the remaining 82 respondents expect a medium growth in their business and aims to employ six (6) to nineteen (19) employees (27.61 %). This will still be a significant achievement. The rest of the 79 respondents (26.60 %) expect to employ zero (0) to five (5) new employees which is considered to be a low growth projection.

6.4 DEMOGRAPHICS OF GOVERNMENT OFFICIALS' CLIENTS

In this section a profile of the government officials' possible clients is compiled. The purpose was to determine whether the government officials know or are aware of the demographics of both the individuals and their business ventures to whom they have to provide support services. Government officials had to indicate for each personal and business venture demographics category whether they

have i) more than 50 % clients; ii) less than 50 % clients or iii) no clients at all. The personal demographics are based on the age group, gender and ethnic group of the client (start-up / established business owner). The business venture demographics categories include the size of the business, the sector / industry within which the business is categorised, the form of ownership and the client's annual turnover / sales. Only the most significant findings will be discussed due to the vast number of categories.

According to 14 government officials (82.35 %), more than 50 % of their clients are between the ages of 30 to 39 years. Seventeen (17) of the respondents (94.44 %) indicated that more than 50 % of their clients are Black Africans. Nine (9) respondents (52.94 %) reported that more than 50 % of their clients have businesses with fewer than five (5) employees including the owner. The government officials' clients fall in all the different sectors, but there are not many clients in each of the sectors. Sixteen (16) of the respondents (94.12 %) have less than 50 % of their clients in the transport; storage and communications, and agriculture sector. Thirteen (13) respondents (76.47 %) indicated that more than 50 % of their clients have registered their businesses as close corporations. According to 10 respondents (62.50 %) less than 50 % of their clients fall in the R150 001 to R250 000 annual turnover /sales category.

Comparing the personal and business venture demographics of the start-up / established business owners' sample (refer to Sections 6.2 and 6.3) with the government officials' responses regarding their clients, it is interesting to note that there is a positive correlation. There is a match regarding the ethnic group where Black Africans were identified as mostly seeking government support services rather than Whites, Indians and Coloureds. Additionally, the business ventures that employ fewer than five (5) employees and are registered as close corporations tend to be a larger portion of the government's clients rather than business ventures with more than five (5) employees and that are not registered. One discrepancy relates to the sector. Most of the start-up / established business owners operate within the retail, motor trade and repair services, while the government's clients are mostly situated in the construction and wholesale trade, commercial agents and allied services sector.

Besides the personal and business venture demographics of the start-up / established business owners, government officials also have to study and be aware of the individual business owners' varied and myriad of business support needs. The next section focuses on the supply of support services provided by government.

6.5 DESCRIPTIVE STATISTICS REGARDING SUPPORT SERVICES

The following descriptive statistics are presented to show how the government officials rated the support services that they provide to their clients: the start-up and established businesses.

6.5.1 GOVERNMENT OFFICIALS' RATING OF THE SUPPORT SERVICES PROVIDED TO START-UP / ESTABLISHED BUSINESS OWNERS

Government officials were given a list of the government support services that they provide and had to rate these services on a five-point Likert scale. A rating of 1 equals a *very poor rating* and a rating of 5 equals an *excellent rating*. The list was based on the government's small business support services that were explained in Chapter 3.

In Table 6.5 the results present how government officials rated their own support services that they provide to start-up / established business owners. These support services are divided into four categories, namely:

Category one: Accessibility to markets, finance, infrastructure and information

Category two: Business skills needed

Category three: Business phase support

Category four: Entrepreneurial skills needed

Table 6.5: Government officials' rating of support services provided

Support services	Very poor		Poor		Average		Good		Excellent		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Access to												
Local and overseas markets	1	5.00	4	20.00	10	50.00	3	15.00	2	10.00	20	100
Financial support including access to capital and loans when initially starting a business	0	0.00	2	9.52	9	42.86	10	47.62	0	0.00	21	100
Roads, electricity, transport and communication facilities	1	4.76	3	14.29	10	47.62	5	23.81	2	9.52	21	100
Information regarding economic, market and government regulations and programmes	0	0.00	3	14.29	4	19.04	11	52.38	3	14.29	21	100
Additional funds to increase assets	0	0.00	3	14.29	9	42.85	9	42.86	0	0.00	21	100
Skills to												
Identify and choose an initial product or service for the market when planning a start-up	2	9.52	3	14.29	9	42.86	7	33.33	0	0.00	21	100
Compile a business plan	0	0.00	1	4.76	10	47.62	7	33.33	3	14.29	21	100
Do market research	0	0.00	4	20.00	8	40.00	8	40.00	0	0.00	20	100
Deal with cash-flow problems	0	0.00	6	30.00	6	30.00	8	40.00	0	0.00	20	100
Control and plan the growth of the business	0	0.00	3	14.29	7	33.33	10	47.62	1	4.76	21	100
Manage risks as the business grows	0	0.00	5	23.81	8	38.10	7	33.33	1	4.76	21	100
Be responsive to customer needs	1	4.76	2	9.52	9	42.86	8	38.10	1	4.76	21	100

Support services	Very poor		Poor		Average		Good		Excellent		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Support provided												
During the start-up process of a business	0	0.00	2	10.00	4	20.00	14	70.00	0	0.00	20	100
In setting up and opening a business	0	0.00	3	15.00	4	20.00	13	65.00	0	0.00	20	100
To manage a new business until it is 3.5 years old	0	0.00	2	10.00	14	70.00	4	20.00	0	0.00	20	100
To manage a business that is more than 3.5 years old	1	5.00	1	5.00	10	50.00	8	40.00	0	0.00	20	100
When the business is declining in terms of sales, number of customers and profit	0	0.00	7	35.00	8	40.00	5	25.00	0	0.00	20	100
Assistance to												
Register businesses	0	0.00	2	10.00	2	10.00	12	60.00	4	20.00	22	100
Develop businesses to export products	0	0.00	6	30.00	5	25.00	9	45.00	0	0.00	20	100
Find new markets not exploited before	0	0.00	4	20.00	13	65.00	3	15.00	0	0.00	20	100
Outsource business functions such as human resources management	1	5.00	4	20.00	7	35.00	8	40.00	0	0.00	20	100
Manage customer relations	1	5.00	3	15.00	6	30.00	9	45.00	1	5.00	20	100
Innovate products / services	1	5.00	3	15.00	8	40.00	8	40.00	0	0.00	20	100
Note: If the sample was less than 23 for certain questions, some respondents did not answer the question.												

From Table 6.5, the findings are as follows:

- In **category one**, financial support when initially starting a business also received a *good* rating by ten (10) respondents (47.62 %). This particular support service was not rated as *excellent* by any respondents. Government should strive towards excellence if they want to reduce the criticism about inaccessibility to finance. Many of the respondents rated the support services in this category as *average* which is also alarming because start-up / established business owners deserve better quality service than this if they have to contribute towards economic growth and job creation.
- In **category two**, ten (10) respondents (47.62 %) rated business skills needed such as compiling a business plan as *average*. Being responsive to customer needs was rated as *average* by nine (9) respondents (42.86 %) and *good* by eight (8) respondents (38.10 %). Controlling and planning the growth of a business was rated as being *good* by 10 respondents (47.62 %).
- In **category three**, business phase support during the start-up process was rated as *good* by 14 of the respondents (70 %). Setting up and opening a business received a *good* rating by 13 of the respondents (65 %). However, support to manage a new business until it is 3.5 years old was rated *average* by 14 of the respondents (70 %). Most businesses fail within the first three (3) years of their existence and, therefore, any form of support is vital during this phase (Hand, 2009:1; Ladzani *et al.*, 2011:1461).
- In **category four**, entrepreneurial skills needed to find new markets to exploit, received an *average* rating by 13 of the respondents (65 %). The rest of the skills were rated as *average* to *good* such as assistance to manage customer relations where six (6) respondents (30 %) rated it as *average* and nine (9) respondents (45 %) rated it as *good*. Assistance to innovate products/services was rated as *good* by eight (8) respondents (40 %) and as *average* by eight (8) respondents (40 %). It seems as though the government officials are not all in agreement about the quality of service that they provide.

Overall, the government officials did not rate their support services as very *poor* or *excellent* but rather mostly *average* to *good*. Some support services received a

poor rating by as low as one (1) (5 %) to as high as seven (7) (35 %) out of the total number of 23 government officials. In some instances the government officials from the different metropolitan municipalities contradicted themselves. Some would rate a support service as *poor* and some would rate the same support service as *good* – for example, assistance to outsource business functions and the skills to deal with cash-flow problems. In general, there is definitely acknowledgement of room for improvement.

6.5.2 START-UP / ESTABLISHED BUSINESS OWNERS' RATINGS OF THE SUPPORT SERVICES NEEDED

In the previous section, it was interesting to note how the government officials have rated their own support services that they provide to their clients. In this section the findings focus on the support services needed by start-up / established business owners. The purpose of the two sections is to determine whether the supply and demand of government support services actually come together. At the same time, the aim is to identify the gaps that need to be addressed. It is for this reason that the identical list of support services was provided to both the government officials and start-up / established business owners. A rating of one (1) meant that the start-up / established business owner thought that the need for a particular support service is *not important* and a rating of five (5) meant that the need for a particular support service is *extremely important*. These ratings relate to the importance of the support services at a personal as well as the business venture level. Therefore, if for example, the need for financial support is deemed *very important* to *extremely important* by the start-up / established business owner, it is expected that government, in return, should provide financial support services which are in line with that level of importance by either being *good* or *excellent*.

Table 6.6 presents the findings regarding the rating of the support services as needed by the start-up / established business owners. The findings will be discussed according to the same four categories as mentioned in Section 6.5.1.

Table 6.6: Start-up / established business owners' rating of support services needed

Support services	Not important		Fairly important		Moderately important		Very important		Extremely important		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Access to												
Local and overseas markets	32	9.73	25	7.60	57	17.32	116	35.26	99	30.09	329	100
Financial support including access to capital and loans when initially starting a business	23	6.89	21	6.29	32	9.58	112	33.53	146	43.71	334	100
Roads, electricity, transport and communication facilities	9	2.73	15	4.54	23	6.97	118	35.76	165	50.00	330	100
Information regarding economic, market and government regulations and programmes	15	4.50	19	5.71	44	13.21	112	33.64	143	42.94	333	100
Additional funds to increase assets	24	7.16	15	4.48	46	13.73	98	29.26	152	45.37	335	100
Skills to												
Identify and choose an initial product or service for the market when planning a start-up	13	3.90	13	3.90	34	10.22	125	37.54	148	44.44	333	100
Compile a business plan	13	3.86	21	6.23	35	10.39	119	35.31	149	44.21	337	100
Do market research	18	5.49	12	3.66	23	7.01	108	32.93	167	50.91	328	100
Deal with cash-flow problems	8	2.40	9	2.69	35	10.48	119	35.63	163	48.80	334	100
Control and plan the growth of the business	2	0.59	8	2.37	21	6.21	130	38.46	177	52.37	338	100
Manage risks as the business grows	2	0.59	10	2.96	21	6.21	123	36.39	182	53.85	338	100
Be responsive to customer needs	1	0.30	6	1.77	13	3.85	112	33.13	206	60.95	338	100

Support services	Not important		Fairly important		Moderately important		Very important		Extremely important		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Support provided												
During the start-up process of a business	10	2.99	12	3.60	33	9.88	120	35.93	159	47.60	334	100
In setting up and opening a business	9	2.68	17	5.06	39	11.61	134	39.88	137	40.77	336	100
To manage a new business until it is 3.5 years old	7	2.08	17	5.06	50	14.88	120	35.72	142	42.26	336	100
To manage a business that is more than 3.5 years old	12	3.60	38	11.42	57	17.11	138	41.44	88	26.43	333	100
When the business is declining in terms of sales, number of customers and profit	7	2.08	8	2.38	35	10.42	105	31.25	181	53.87	336	100
Assistance to												
Register businesses	46	14.11	27	8.28	47	14.42	96	29.45	110	33.74	326	100
Develop businesses to export products	55	16.72	26	7.90	45	13.68	94	28.57	109	33.13	329	100
Find new markets not exploited before	16	4.83	28	8.46	34	10.27	114	34.45	139	41.99	331	100
Outsource business functions such as human resources management	49	14.63	27	8.06	64	19.10	105	31.34	90	26.87	335	100
Manage customer relations	22	6.59	19	5.69	30	8.98	111	33.23	152	45.51	334	100
Innovate products / services	14	4.19	25	7.49	27	8.08	111	33.23	157	47.01	334	100
Note: Some respondents did not complete the question and therefore the sample was less than 340 for certain questions.												

From Table 6.6, the findings are as follows:

- In **category one**, many of the respondents rated accessibility to markets, finance, infrastructure and information as *very important* as well as *extremely important*. Access to roads, electricity, transport and communication was rated as *extremely important* by 165 respondents (50 %). Additional funds to increase assets received the second highest rating by 152 respondents (45.37 %). Access to local and overseas markets was rated by 116 respondents (35.26%) as *very important* and *extremely important* by 99 respondents (30.09%). This finding corresponds with the assistance to exporting mentioned in category four which was rated as *very important* by 94 respondents (28.57%) to *extremely important* by 109 respondents (33.13%) which collectively accounts for more than half (203) of the respondents (61.70 %).
- For **category two**, 206 respondents (60.95 %) indicated that being responsive to customer needs is *extremely important*. Customers' needs change and evolve over time. Consumers demand more personalised products and services. If a business does not keep up with these changes, it will fall behind other businesses and can even lose market share (Murdock, 2012:883). Managing risks as the business grows as well as controlling and planning the growth of the business were rated respectively by 182 (53.85 %) and 177 (52.37 %) of the respondents as *extremely important*. Overall, many of the respondents indicated that developing their overall business skills is *very important*. This finding corresponds with the study of Neneh and van Zyl (2012:138) that optimal business performance requires business skills.
- In **category three**, assistance during the phase when the business is declining was rated as *extremely important* by 181 respondents (53.87 %). This is followed by support during the start-up process with 159 respondents (47.60 %); then support to manage a new business with 142 (42.26 %) respondents and lastly support in setting up and opening a business with 137 (40.77 %) respondents. Start-up / established business owners hereby indicate their need for support during the crucial phases of the business' life cycle but especially when they start to experience declining sales, customers and profit.
- In **category four**, regarding the entrepreneurial skills needed, assistance to innovate products / services was rated *extremely important* by 157 respondents (47.01 %). Assistance to managing customer relations was indicated by 152 respondents (45.51 %) as *extremely important* as

well as assistance to find new markets not exploited before by 139 respondents (41.99 %). This finding correlates with developing the skills necessary to respond to customer needs which were also rated *extremely important* by the respondents in category two.

6.5.3 COMPARING THE SUPPORT SERVICES PROVIDED BY GOVERNMENT OFFICIALS AND NEEDED BY START-UP / ESTABLISHED BUSINESS OWNERS

The results of Tables 6.5 and 6.6 are combined in Table 6.8 to identify the **similarities** and **differences** in terms of how the support services were rated by the government officials and start-up / established business owners. However, different Decision Criteria had to be developed first for this purpose and are illustrated in Table 6.7. Eight Decision Criteria were developed: four Decision Criteria (1 to 4) will be used to identify similarities and four Decision Criteria (5 to 8) will be used to identify the differences regarding government's support services as rated by both the providers and recipients thereof.

As previously mentioned in Sections 6.5.1 and 6.5.2 the government officials had to rate their support services on a scale of one (1) meaning that it is *very poor* to five (5) which means that it is *excellent*. The start-up / established business owners had to rate the same support services on a scale of one (1) meaning that it is *not very important* to five (5) which means that it is *extremely important*. Therefore, if a needed support service is rated as *very important* to *extremely important* by start-up / established businesses then it is expected of government to provide this support service at a *good* to *excellent* level.

Table 6.7: Decision criteria to determine similarities and differences regarding support services as rated by government officials (GOV) and start-up / established business owners (S/E)

SUPPORT SERVICES	TYPE 1 RATING	TYPE 2 RATING	SIMILARITIES (% responses)	DIFFERENCES (% responses)
	Government officials (GOV)* <ul style="list-style-type: none"> • Very poor • Poor • Average Start-up / established business (S/E)** <ul style="list-style-type: none"> • Not important • Fairly important • Moderately important 	Government officials (GOV) <ul style="list-style-type: none"> • Good • Excellent Start-up / established business owner (S/E) <ul style="list-style-type: none"> • Very important • Extremely important 	Decision criterion 1: Type 1 rating: S/E \geq 50 % Type 1 rating: GOV \geq 50 % OR Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 % OR Decision criterion 4: Type 2 rating: S/E < 50 % Type 2 rating: GOV < 50 %	Decision criterion 5: Type 1 rating: GOV < 50 % Type 1 rating: S/E \geq 50 % OR Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 % OR Decision criterion 8: Type 2 rating: GOV \geq 50 % Type 2 rating: S/E < 50 %
*(GOV) = Government officials		**(S/E) = Start-up / established business owners		

Table 6.7 illustrates how the ratings of the government officials and start-up / established business owners were combined to form Type 1 and Type 2 ratings. The government support services are viewed as similar when the government officials rated it as *good* and *excellent*, and the start-up / established business owners rate the same service as *very important* to *extremely important*. Furthermore, both groups had to have a rating of either below 50 % or above 50 %. Differences occur when government officials rate a support service as *very poor* to *average* and the start-up / established business owners rate the same service as *very important* to *extremely important*. In this instance there will be different ratings such as one of the ratings will be below 50 % and the other rating will be above 50 % and vice versa. Table 6.8 displays the **similarities** and **differences** for the government support services. The following codes will be used in Table 6.8 as well as in the graphs:

A1 – A7: Access to markets, finance, infrastructure and information

Sk1 – Sk7: Business skills needed

Su1 – Su5: Support needed during business phases

As1 – As6: Assistance needed to develop entrepreneurial skills

From Table 6.8 it can be deduced that for area A1 (Access to local and overseas markets) 75 % of the government officials rated the support service as *very poor* to *average* and 34.65 % of the start-up / established business owners rated it as *not important* to *moderately important*. Twenty-five percent (25 %) of government officials rated the same support service as *good* to *excellent* and 65.35 % of the start-up / established business owners rated it as *very important* to *extremely important*. Applying the different Decision Criteria 6 and 7, the *disagreement* is evident because most of the government officials are of the opinion that the access to local and overseas markets is rather *very poor* to *average* while the start-up / established business owners view the same support service as *very important* to *extremely important* for their business ventures.

Table 6.8: Similarities and differences of the support services as rated by government officials (GOV) and start-up / established business owners (S/E)

SUPPORT SERVICES	TYPE 1 RATING	TYPE 2 RATING	SIMILARITIES (% responses)	DIFFERENCES (% responses)
	Government officials (GOV)* <ul style="list-style-type: none"> • Very poor • Poor • Average Start-up / established business owner (S/E)** <ul style="list-style-type: none"> • Not important • Fairly important • Moderately important 	Government officials (GOV) <ul style="list-style-type: none"> • Good • Excellent Start-up / established business owner (S/E) <ul style="list-style-type: none"> • Very important • Extremely important 		Decision criterion 1 OR Decision criterion 2 Decision criterion 3 OR Decision criterion 4

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
ACCESS TO							
A1	Local and overseas markets	75 %	34.65 %	25 %	65.35 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
A2	Financial support including access to capital and loans when initially starting a business	52.38 %	22.76 %	47.62 %	77.24 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
A3	Roads, electricity, transport and communication facilities	66.67 %	14.24 %	33.33 %	85.76 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
A4	Information regarding economic, market and government regulations and programmes	33.33 %	23.42 %	66.67 %	76.58 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 %	
A5	Additional funds to increase assets	57.14 %	25.37 %	42.86 %	74.63 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
SKILLS TO							
Sk1	Identify and choose an initial product or service for the market when planning a start-up	66.67 %	18.02 %	33.33 %	81.98 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
Sk2	Compile a business plan	52.38 %	20.48 %	47.62 %	79.52 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
Sk3	Do market research	60 %	16.16 %	40 %	83.84 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
Sk4	Deal with cash-flow problems	60 %	15.57 %	40 %	84.43 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
Sk5	Control and plan the growth of the business	47.62 %	9.17 %	52.38 %	90.83 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 %	
Sk6	Manage risks as the business grows	61.91 %	9.76 %	38.09 %	90.24 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
Sk7	Be responsive to customer needs	57.14 %	5.92 %	42.86 %	94.08 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
SUPPORT NEEDED							
Su1	During the start-up process of a business	30 %	16.47 %	70 %	83.53 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
Su2	In setting up and opening a business	35 %	19.35 %	65 %	80.65 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
Su3	To manage a new business until it is 3.5 years old	80 %	22.02 %	20 %	77.98 %		Decision criterion 6: Type 1 rating: GOV ≥ 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E ≥ 50 %

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
Su4	To manage a business that is more than 3.5 years old	60 %	32.13 %	40 %	67.87 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
Su5	When the business is declining in terms of sales, number of customers and profit	75 %	14.88 %	25 %	85.12 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
ASSISTANCE TO							
As1	Register businesses	20 %	36.81 %	80 %	63.19 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 %	

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
As2	Develop businesses to export products	55 %	38.30 %	45 %	61.70 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
As3	Find new markets not exploited before	85 %	23.56 %	15 %	76.44 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
As4	Outsource business functions such as human resources management	60 %	41.79 %	40 %	58.21 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
As5	Manage customer relations	50 %	21.26 %	50 %	78.74 %	Decision criterion 3: Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 %	Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 %
As6	Innovate products and services	60 %	19.76 %	40 %	80.24 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
*(GOV) = Government officials		** (S/E) = Start-up / established business owners					

Regarding the business skills needed, one area of agreement relates to the skills to control and plan the growth of the business (Sk5). About 47.62 % of the government officials rated the business skill to compile a business plan as *very poor* to *average* while 9.17 % of the start-up / established business owners rated it as *not important* to *moderately important*. With regards to the Type 2 rating, 52.38 % government officials rated the support service as *good* to *excellent* and a large majority of 90.83 % start-up / established business owners rated the same support service as *very important* to *extremely important*. Applying Decision Criteria 2 and 3, there is an agreement (both ratings are either below or above 50 %) regarding the level of the support service provided by the government officials and the importance thereof to the start-up / established business owners.

Applying Decision Criteria 2 and 3, both groups of government officials (70 %) and start-up / established business owners (83.53 %) *agree* about the support during the start-up process of a business (Su1). According to the government officials the support service they provide during this phase is *good* to *excellent* while the start-up / established business owners regard the same support service as *very important* to *extremely important*. A large majority of government officials (80 %) rated the support needed to manage a business until it is 3.5 years old (Su3) as *very poor* to *average* and only 20.02 % start-up / established business owners rated it as *not important* to *moderately important*. Twenty percent (20 %) of government officials rated the support as *good* to *excellent* while the start-up / established business owners (77.98 %) rated it as *very important* to *extremely important*. According to Decision Criteria 6 and 7 these percentage responses signal a difference in ratings between the government officials and start-up / established business owners.

For support services regarding business assistance as well as assistance available to develop entrepreneurial skills, 60 % government officials rated that the support services available to innovate products and services (As6) is *very poor* to *average*. Only 19.76 % start-up / established business owners rated the same support service as *not important* to *moderately important*. Applying Decision Criteria 6 and 7 to this support service, the government officials and start-up / established business owners have differences for both the Type 1 and Type 2

ratings. According to 50 % government officials the support service to manage customer relations (As5) is *very poor* to *average* while 21.26 % start-up / established business owners rated the same support service as *not important* to *moderately important*. Furthermore, 50 % government officials rated the same support service as *very good* to *excellent* while 78.74 % start-up / established business owners deemed that this support service is *very important* to *extremely important*. Therefore, applying Decision Criteria 3 and 6 there is a similarity for the Type 2 rating and a difference for the Type 1 rating.

In the next section, the similarities and differences will be graphically illustrated and further elaborated.

6.5.4 GRAPHS ILLUSTRATING THE SIMILARITIES AND DIFFERENCES OF THE SUPPORT SERVICES AS RATED BY GOVERNMENT OFFICIALS AND START-UP / ESTABLISHED BUSINESS OWNERS

The extent of the **similarities** and **differences** between the government officials and start-up / established business owners are visually displayed according to the four categories as previously mentioned in Section 6.5.1. The ratings of the government officials are on the x-axis and the start-up / established business owners' ratings on the y-axis. The graphs show the percentage responses rated as good and excellent by the government officials and as *very important* to *extremely important* by the start-up / established business owners. The percentage of responses that rated the statements as *very poor*, *poor* and *average* by the government officials and as *not important*, *fairly important* and *moderately important* by the start-up / established business owners is not reflected on the graphs as it represents the complementary percentages. The following codes will be used in the graphs:

- A1 – A7:** Access to markets, finance, infrastructure and information
- Sk1 – Sk7:** Business skills needed
- Su1 – Su5:** Support needed during business phases
- As1 – As6:** Assistance needed to develop entrepreneurial skills

Figure 6.5 depicts the percentage responses regarding access to markets, finance, infrastructure and information.

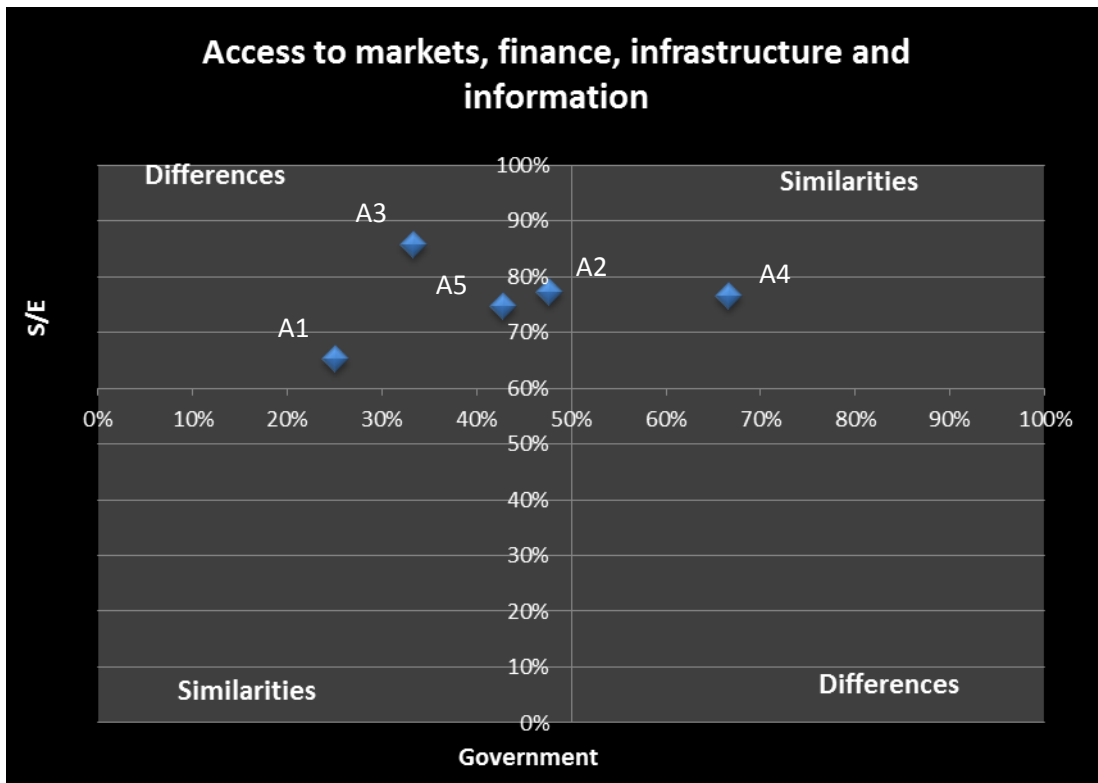


Figure 6.5: Percentage responses: Access to markets, finance, infrastructure and information

Only one (1) area of *agreement* (A4: Information regarding economic, market and government regulation and programmes) can be identified from Figure 6.5. There are four (4) areas of *disagreement* (A1, A2, A3 and A5). These areas relate to access to local and overseas markets (A1), financial support (A2), roads, electricity transport and communication facilities (A3); and access to additional funds to increase assets (A5). It is interesting to note that there are more areas of *disagreement* than *agreement* regarding crucial matters to which start-up / established business owners are supposed to have access.

Figure 6.6 illustrates the percentage responses regarding business skills needed.

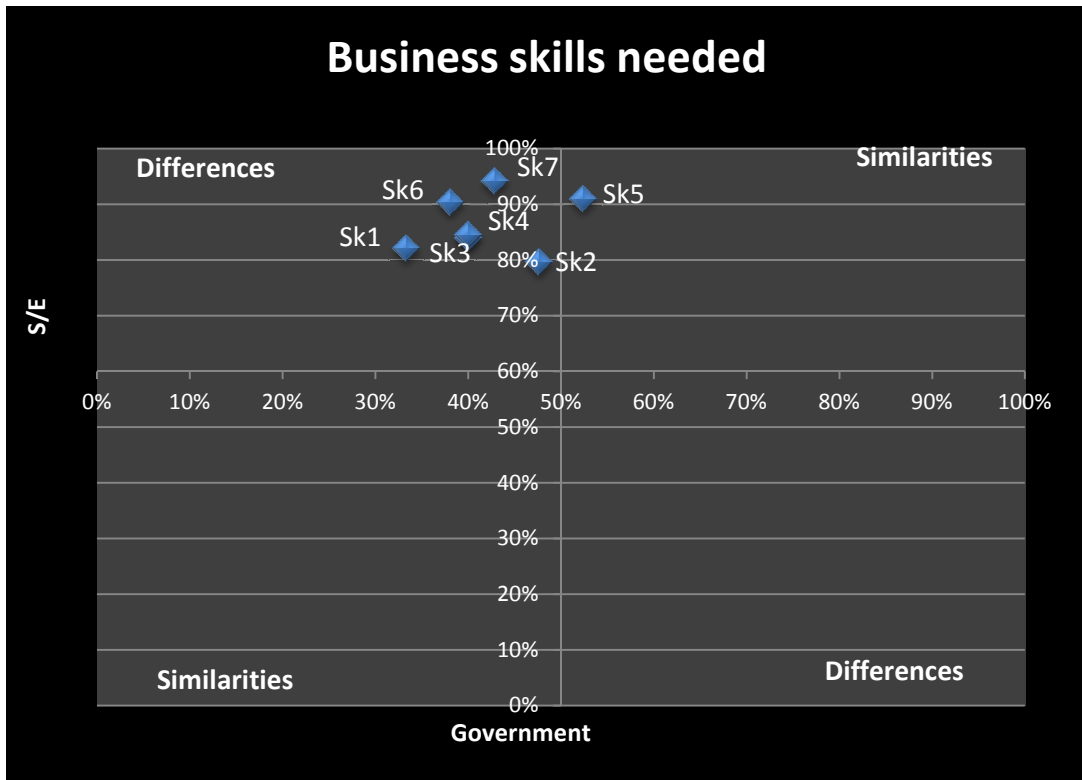


Figure 6.6: Percentage responses: Business skills needed

There are six areas of *disagreement* (Sk1, Sk2, Sk3, Sk4, Sk6, and Sk7) and only one area of agreement (Sk5) regarding the business skills provided by government officials and needed by the start-up / established business owners as displayed in Figure 6.6. The *disagreement* regarding compiling a business plan (Sk2) occurs because more than 50 % of the government officials rated the support service as *very poor* to *average* while it was considered as *not important* to *moderately important* by 20.48 % start-up / established business owners. However, 79.52 % rated the same support service as *very important* to *extremely important* while less than 50 % of the government officials (47.62 %) rated the support service as *good* to *excellent*. Both ratings are supposed to be above 50 % to ensure that suppliers meet the needs of the start-up / established business owners effectively and efficiently.

Figure 6.7 displays the percentage responses regarding support needed during the different business phases.

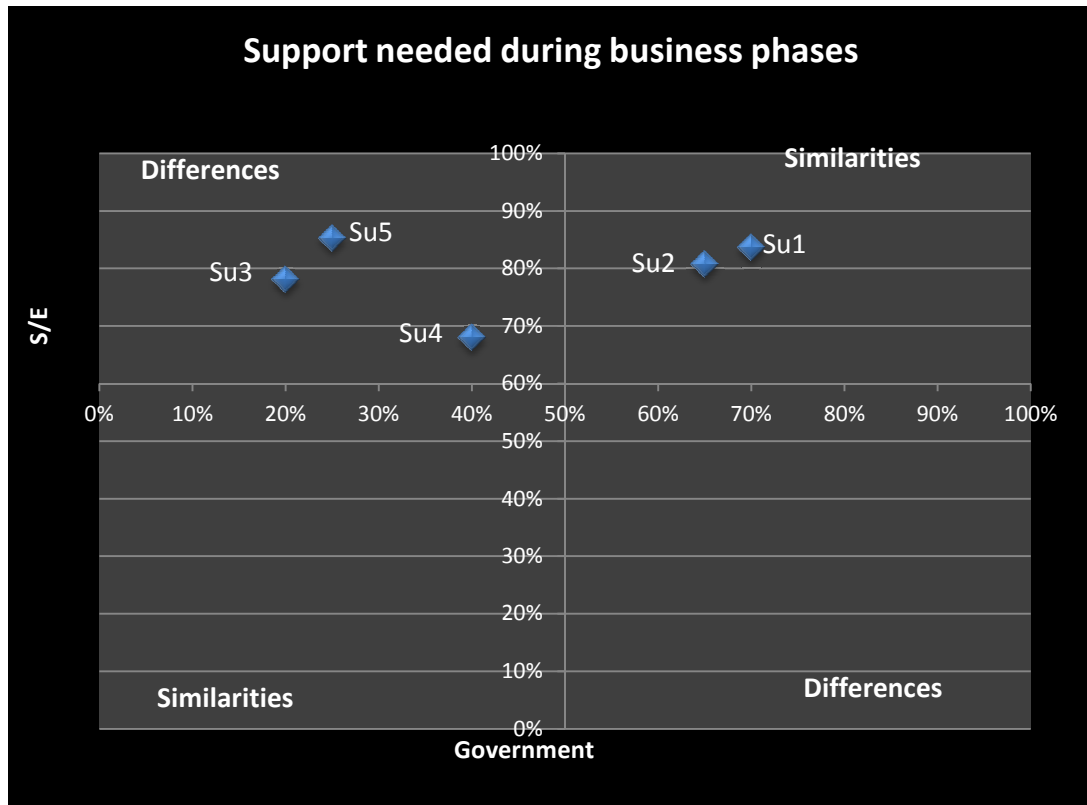


Figure 6.7: Percentage responses: Support needed during the different business phases

From Figure 6.7 two areas of *agreement* (Su1 and Su2) and three areas of *disagreement* (Su3, Su4 and Su5) are depicted regarding business phase support. Both groups of government officials and start-up / established business owners *agree* about the support during the start-up process of a business (Su1). Support in setting up and opening a business (Su2) reached the same level of agreement (above 50 %).

One noteworthy area of *disagreement* is the support needed to manage a business until it is 3.5 years old (Su3). A large majority of 80 % government officials rated the support as *very poor to average* and only 20.02% start-up / established business owners rated it as *not important to moderately important*. Twenty percent (20%) government officials rated the support as *good to excellent* while the start-up / established business owners (77.98%) rated it as *very important to extremely important*. Many businesses fail within the first three years of existence (Hand, 2009:1; Ladzani *et al.*, 2011:1461) and yet this support is

being rated as *very poor* to *average*. Government needs to seriously address support during this crucial phase of a business to turn around the high failure rate.

Figure 6.8 illustrates the percentage responses regarding assistance needed to develop entrepreneurial skills.

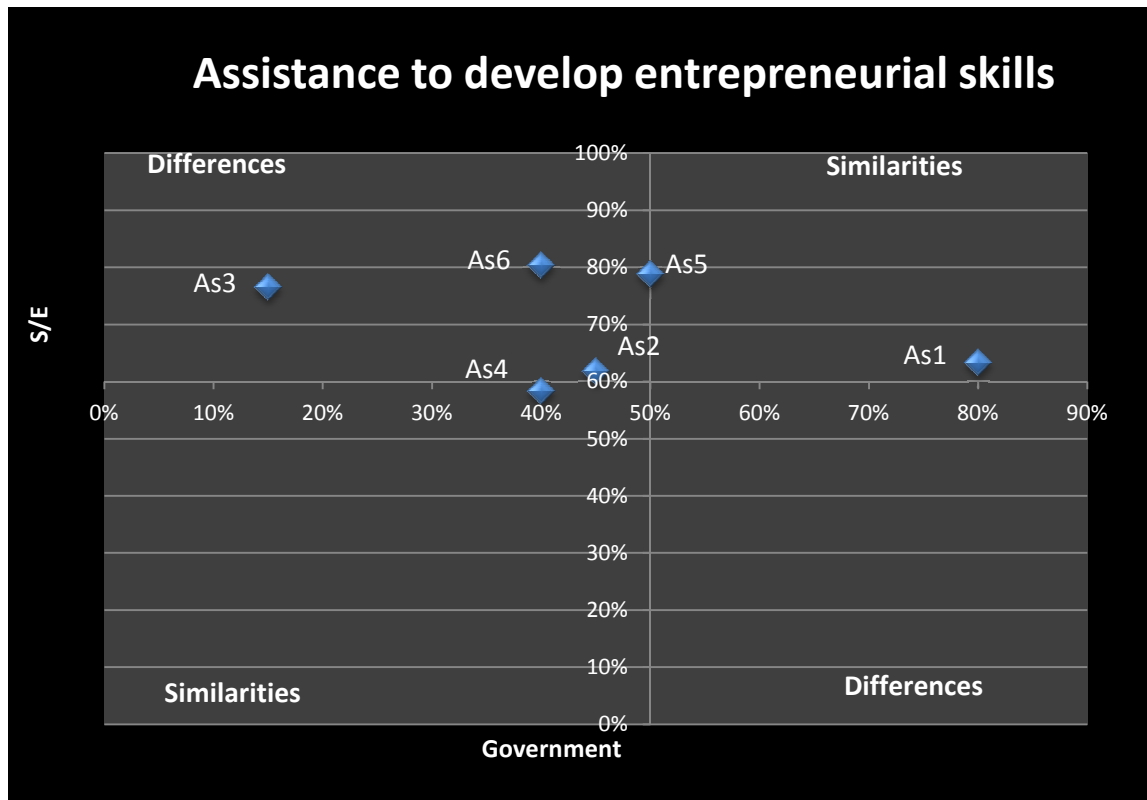


Figure 6.8: Percentage responses: Assistance needed to develop entrepreneurial skills

Figure 6.8 illustrates the **similarities** and **differences** regarding business assistance as well as assistance available to develop entrepreneurial skills. There is one (As1) area of agreement regarding the support services available to register a business. Managing customers relations (As5) is a borderline area because 50 % of the government officials rated the support service as *very poor* to *average* while 50 % rated it as *good* to *excellent*. A noteworthy difference relates to the assistance provided and needed to find new markets not exploited before (As3).

In summary, from Table 6.8 and Figures 6.5, 6.6, 6.7 and 6.8 it may be construed that the total number of differences and areas of disagreement is greater than the total number of similarities and areas of agreement between the ratings of the government officials and the start-up / established business owners. There is an

agreement on access to information regarding economic, market and government regulations and programmes. However, there is no agreement on access to financial support and skills to deal with cash-flow problems. There is agreement about support in setting up and opening a business but not about compiling a business plan. It is gaps such as these that need to be addressed so that the supply and demand for support services are aligned.

6.6 DESCRIPTIVE STATISTICS REGARDING POLICY EVALUATION

The following descriptive statistics provide information about the objectives, outputs, outcomes and impact of the South African small business policy. These descriptors are used to evaluate the small business policy. The government officials were given a list of each of the different components of the small business policy as mentioned and they had to evaluate it on a five-point Likert scale. A rating of 1 meant that the respondent *definitely disagreed* with the statement listed whereas a rating of 5 indicated that the respondent *definitely agreed* with the statement. The different lists were compiled from the small business and entrepreneurship policies already explained in Chapters 2 and 3.

6.6.1 SMALL BUSINESS POLICY EVALUATION BY THE GOVERNMENT OFFICIALS

The government officials' evaluation of the objectives of the small business policy is depicted in Table 6.9. This is followed by the evaluation of the outputs in Table 6.10, the outcomes in Table 6.11 and finally the impact is shown in Table 6.12.

Table 6.9: Government officials' evaluation of the objectives of South Africa's small business policy

The government's small business policy aims to	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Assist with business venture growth	0	0.00	1	4.35	1	4.35	11	47.82	10	43.48	23	100
Motivate more new entrepreneurs to start businesses	2	8.70	3	13.04	1	4.35	7	30.43	10	43.48	23	100
Target existing businesses rather than individuals	0	0.00	3	13.04	3	13.04	13	56.51	4	17.39	23	100
Target nascent entrepreneurs or new business starters	0	0.00	3	13.04	2	8.70	15	65.22	3	13.04	23	100
Focus on creating a favourable business environment (by, for example, reducing "red tape")	3	13.04	5	21.74	0	0.00	7	30.44	8	34.78	23	100
Stimulate entrepreneurship and an entrepreneurial culture or climate in the country	1	4.35	6	26.09	0	0.00	8	34.78	8	34.78	23	100
Have a narrow, rather than a broad definition of which institutional structures constitute the support environment	3	13.64	7	31.82	2	9.09	8	36.36	2	9.09	22	100
Favour measures to support early phases of the entrepreneurial development process	0	0.00	6	26.09	0	0.00	11	47.82	6	26.09	23	100
Influence the quantitative aspects such as the number of self-employed, small or new business ventures rather than the quality thereof	1	4.35	5	21.74	1	4.35	13	56.52	3	13.04	23	100

Note that if the sample was less than 23 for certain questions, some respondents did not complete the question.

As presented in Table 6.9, 11 government officials (47.82 %) *probably agreed* and 10 respondents (43.48 %) *definitely agreed* that the small business policy aims to assist with business venture growth. With regards to the objective of government to motivate more new entrepreneurs to start businesses, together more than half (17) of the government officials *agreed* of whom seven (7) respondents (30.43 %) *probably agreed* and 10 respondents (43.48 %) *definitely agreed*. It is interesting to note these conflicting viewpoints between the government officials in the different metropolitan municipalities. The objective of the small business policy to target existing businesses rather than individuals received the highest score by 13 government officials (56.51 %) who *probably agreed* and four (4) respondents (17.39 %) who *definitely agreed*.

Fifteen (15) of the government officials (65.22%) *probably agreed and definitely agreed* that the focus of government is on creating a favourable business environment. However, there are five (5) respondents (21.74 %) who *probably disagreed* and three (3) respondents (13.04%) who *definitely disagreed*. Regarding the objective to stimulate entrepreneurship and an entrepreneurial culture or climate in South Africa, eight (8) government officials (34.78%) *probably agreed* and eight (8) government officials (34.78%) *definitely agreed*. More than half (17) of the respondents (73.92%) *positively agreed* that the small business policy favour measures to support early phases of the entrepreneurial process which consists of 11 respondents (47.82%) who *probably agreed* and six (6) respondents (26.09%) who *definitely agreed*. Finally, a total of 16 government officials (69.56%) *probably agreed and definitely agreed* that the small business policy influenced the quantitative aspects rather than the quality of business ventures. The remaining five (5) respondents (21.74%) *probably disagreed* and one (1) respondent (4.35%) *definitely disagreed* with the statement, while one (1) respondent (4.35%) *did not know* the answer to the question.

Table 6.10 presents the government officials' evaluation of the outputs of South Africa's small business policy.

Table 6.10: Government officials' evaluation of the outputs of South Africa's small business policy

Statement	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Support reaches all regions of the country because the local network for small business development services has been strengthened.	3	13.04	11	47.82	2	8.70	3	13.04	4	17.39	23	100
The necessary support incentives are provided.	2	8.70	9	39.13	0	0.00	9	39.13	3	13.04	23	100
A dedicated network of SMME finance has been established.	2	8.70	7	30.43	0	0.00	9	39.13	5	21.74	23	100
Note that if the sample was less than 23 for certain questions, some respondents did not complete the questions.												

A total of 14 government officials (57.87 %) *definitely disagreed* and *probably disagreed* that support reaches all the regions of the country while collectively seven (7) respondents (30.43 %) *probably agreed* and *definitely agreed* as indicated in Table 6.10. Twelve (12) government officials (52.17%) *probably agreed* and *definitely agreed* about the necessary support incentives that are provided to business owners. Eleven (11) of the respondents (47.82 %) *definitely disagreed* and *probably disagreed*. Approximately 14 of the respondents (60.87 %) *probably agreed* and *definitely agreed* that a dedicated network of SMME finance has been established, while the remaining nine (9) respondents (39.13 %) *definitely disagreed* and *probably disagreed*.

In Table 6.11 the government officials had to rate the small business policy's outcomes. Respondents had to indicate their level of agreement or disagreement in terms of whether the outcomes have been reached or not at the time of the study.

Table 6.11: Government officials' evaluation of the outcomes of South Africa's small business policy

Statement	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
A demand has been created for small enterprise products and services.	1	4.35	6	26.09	1	4.35	12	52.17	3	13.04	23	100
Small enterprise competencies and delivery capacity have improved.	2	8.70	4	17.39	0	0.00	14	60.87	3	13.04	23	100
Enterprise networks, for example, between government, public institutions and private sector have strengthened.	2	8.70	2	8.70	0	0.00	14	60.87	5	21.73	23	100
The regulatory environment has improved.	2	8.70	10	43.48	4	17.39	5	21.73	2	8.70	23	100
Entrepreneurship and small business research have improved.	1	4.35	7	30.43	1	4.35	11	47.83	3	13.04	23	100
An entrepreneurship culture has been fostered.	4	17.39	10	43.48	1	4.35	7	30.43	1	4.35	23	100
The number of business start-ups has increased.	2	8.70	3	13.04	3	13.04	10	43.48	5	21.74	23	100
The number of start-up obstacles has decreased.	4	17.39	12	52.17	0	0.00	6	26.09	1	4.35	23	100
There are changes in the level of entrepreneurial activity among women and the youth.	2	9.52	1	4.77	2	9.52	10	47.62	6	28.57	21	100

Note that if the sample was less than 23 for certain questions, some respondents did not provide an answer.

From Table 6.11, 12 respondents (52.17 %) *probably agreed* that a demand has been created for small enterprise products and services. Previously, the regulatory environment has been identified as one of the major hurdles in the small business sector as discussed in Table 3.1 (Section 3.3.4) (Diale, 2009:195; Herrington *et al.*, 2010:33; Barron, 2009:7; Peyper, 2012:1; Davie, 2012:18; Simrie *et al.*, 2012:44; eThekweni Municipality, 2013:4). Ten (10) government officials (43.48 %) *probably disagreed* and two (2) *definitely disagreed* that the regulatory environment has improved. Four (4) of the respondents (17.39 %) *did not know* the state of the regulatory environment. The remaining seven (7) respondents (30.43 %) *probably agreed* and *definitely agreed* that the regulatory environment has improved. Fourteen (14) government officials (60.87 %) *did not agree* that an entrepreneurship culture has been fostered in the country. Although more than half (15) of the respondents (65.22 %) *probably agreed* and *definitely agreed* that the number of start-ups has increased, a total of 16 respondents (69.56 %) *probably disagreed* and *definitely disagreed* that the number of start-up obstacles has decreased. This is an interesting finding because despite these obstacles it did not deter individuals from starting their own businesses and pursuing entrepreneurship. Overall, as many as 14 responses (60.87 %) out of a total of 23 responses were *probably agreed* by the government officials. This implies that these government officials are not entirely sure whether or not their efforts are reaching the outcomes of the small business policy.

Table 6.12 presents the government officials' evaluation of the impact of South Africa's small business policy.

Table 6.12: Government officials' evaluation of the impact of South Africa's small business policy

Statement	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Jobs have been created, resulting in a reduced unemployment rate.	6	26.09	9	39.13	1	4.35	7	30.43	0	0.00	23	100
Economic growth of the country has increased.	5	21.73	6	26.09	2	8.70	9	39.13	1	4.35	23	100
Note that if the sample was less than 23 for certain questions, some respondents did not complete the questions.												

Government's efforts are measured ultimately by the impact they make over the long term. Overall, the impact was not appraised positively as reported in Table 6.12. Collectively 15 respondents (65.22 %) *definitely disagreed* and *probably disagreed* that jobs have been created. Five (5) respondents (21.73%) *definitely disagreed* while six (6) respondents (26.09%) *probably disagreed* that the economic growth of the country has increased. However, regarding the latter point, nine (9) of the government officials (39.13 %) *probably agreed* that economic growth did occur and only one (1) respondent (4.35%) *definitely agreed*. It once again indicates that government officials are not certain about the impact of their efforts.

6.6.2 SMALL BUSINESS POLICY EVALUATION BY THE START-UP / ESTABLISHED BUSINESS OWNER

The descriptive statistics presented in Tables 6.13, 6.14, 6.15 and 6.16 show how the start-up / established business owners evaluated South Africa's small business policy in terms of its objectives, outputs, outcomes and impact. As with the government officials, the start-up / established business owners had to evaluate the small business policy components on a five-point Likert scale where 1 equals *definitely disagree* and 5 equals *definitely agree*.

Table 6.13 shows the start-up / established business owners' evaluation of the objectives of South Africa's small business policy.

Table 6.13: Start-up / established business owners' evaluation of the objectives of South Africa's small business policy

The government's small business policy aims to	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Assist with business venture growth	42	12.54	33	9.85	26	7.76	116	34.63	118	35.22	335	100
Motivate more new entrepreneurs to start businesses	36	10.75	19	5.67	19	5.67	93	27.76	168	50.15	335	100
Target existing businesses rather than individuals	39	11.85	35	10.64	67	20.37	92	27.96	96	29.18	329	100
Target nascent entrepreneurs or new business starters	27	8.06	38	11.34	57	17.02	115	34.33	98	29.25	335	100
Focus on creating a favourable business environment (by, for example, reducing "red tape")	37	11.08	33	9.88	57	17.06	101	30.24	106	31.74	334	100
Stimulate entrepreneurship and an entrepreneurial culture or climate in the country	32	9.64	21	6.32	33	9.94	107	32.23	139	41.87	332	100
Achieve results in less than four years	38	11.48	38	11.48	75	22.66	86	25.98	94	28.40	331	100
Have a narrow, rather than a broad definition of which institutional structures constitute the support environment	24	7.41	39	12.04	87	26.85	107	33.02	67	20.68	324	100
Favour measures to support early phases of the entrepreneurial development process	28	8.43	36	10.85	48	14.45	117	35.25	103	31.02	332	100
Influence the quantitative aspects such as the number of self-employed, small or new business ventures rather than the quality thereof	28	8.54	39	11.89	69	21.04	103	31.40	89	27.13	328	100

Note: Some respondents did not complete the question and therefore the sample was less than 340.

Table 6.13 demonstrates that a total of 234 start-up / established business owners (69.85 %) *probably agreed* and *definitely agreed* with the objective that government assists with business venture growth. Collectively, 188 respondents (57.14 %) *probably agreed* and *definitely agreed* with the objective that existing businesses are targeted rather than individuals. It is worth mentioning that 207 start-up / established business owners (61.98 %) have *probably agreed* and *definitely agreed* that the focus is on creating a favourable business environment while 70 respondents (20.96 %) *definitely disagreed* and *probably disagreed*. Two hundred and twenty (220) respondents (66.26%) *probably agreed* and *definitely agreed* with the objective that measures to support the early phases of the entrepreneurial development process are being favoured and 64 respondents (19.27 %) *definitely disagreed* and *probably disagreed*. Overall, the different start-up / established business owners have opposing standpoints regarding the objectives of the small business policy. As many as 261 respondents (77.91 %) were *positively optimistic* and *probably agreed* as well as *definitely agreed* with the objectives that were outlined. As few as 53 respondents (15.96 %) to 76 respondents (22.96 %) were not convinced that government have their best interests at heart and *definitely disagreed* as well as *probably disagreed* with the different objectives. There are also a substantial number of respondents who *absolutely do not know* any of these objectives. The start-up / established business owners may have been exposed to the objectives of South Africa's small business policy possibly for the first time during this study.

Table 6.14 shows the start-up / established business owners' evaluation of the outputs of South Africa's small business policy.

Table 6.14: Start-up / established business owners' evaluation of the outputs of South Africa's small business policy

Statement	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Support reaches all regions of the country because the local network for small business development services has been strengthened.	66	19.88	55	16.57	48	14.46	94	28.31	69	20.78	332	100
The necessary support incentives are provided.	54	16.46	55	16.77	57	17.38	102	31.10	60	18.29	328	100
A dedicated network of SMME finance has been established.	48	14.72	50	15.34	80	24.54	81	24.85	67	20.55	326	100
Note that if the sample was less than 340 for certain questions, some respondents did not complete the question.												

As presented in Table 6.14 the 163 start-up / established business owners (49.09%) *probably agreed* and *definitely agreed* that support reaches all the regions of the country. Forty-eight (48) of the respondents (14.46 %) *did not know* about the available local support. The remaining 121 respondents (36.45 %) *probably disagreed* and *definitely disagreed* on the topic. Almost 50 % of the respondents (162) *probably agreed* and *definitely agreed* that the necessary support incentives are provided. Fifty seven (57) respondents (17.38 %) *did not know* about these incentives and collectively 109 respondents (33.23 %) *probably disagreed* and *definitely disagreed*. Finally, it was indicated by 81 respondents (24.85 %) that they *probably agreed* that a dedicated network of SMME finance has been established and 67 respondents (20.55 %) *definitely agreed*. It is alarming that 80 respondents (24.54 %) *did not know* about an SMME finance network. It could either be that they are new to the small business sector or are not aware of the existing institutions that provide finance. The remaining 98 respondents (30.06 %) *definitely disagreed* and *probably disagreed* on the output.

Table 6.15 shows the start-up / established business owners' evaluation of the outcomes of South Africa's small business policy.

Table 6.15: Start-up / established business owners' evaluation of the outcomes of South Africa's small business policy

Statement	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
A demand has been created for small enterprise products and services.	24	7.25	48	14.50	44	13.29	112	33.84	103	31.12	331	100
Small enterprise competencies and delivery capacity have improved.	28	8.48	42	12.73	59	17.88	121	36.67	121	24.24	330	100
Enterprise networks, for example, between government, public institutions and private sector have strengthened.	35	10.57	48	14.50	56	16.92	126	38.07	66	19.94	331	100
The regulatory environment has improved.	41	12.46	42	12.77	61	18.54	130	39.51	55	16.72	329	100
Entrepreneurship and small business research have improved.	28	8.43	40	12.05	52	15.66	119	35.85	93	28.01	332	100
An entrepreneurship culture has been fostered.	31	9.57	33	10.18	62	19.14	124	38.27	74	22.84	324	100
The number of business start-ups has increased.	16	4.89	18	5.51	52	15.90	109	33.33	132	40.37	327	100
The number of start-up obstacles has decreased.	48	14.72	52	15.95	90	27.61	82	25.16	54	16.56	326	100
There are changes in the level of entrepreneurial activity among women and the youth.	8	2.45	15	4.61	42	12.88	132	40.49	129	39.57	326	100

Note that if the sample was less than 340 for certain questions, some respondents did not provide an answer.

Table 6.15 reports the findings regarding the evaluation of the outcomes of the small business policy by the start-up / established business owner. Collectively 215 respondents (64.96 %) *probably agreed* and *definitely agreed* that a demand has been created for small enterprise products and services. Eighty-three (83) respondents (25.07 %) in total *definitely disagreed* and *probably disagreed* that enterprise networks have strengthened and 192 respondents (58.01 %) *probably agreed* and *definitely agreed* on the topic. Sixty-one (61) start-up / established business owners (18.54 %) indicated that they *did not know* whether the regulatory environment has improved whereas 185 respondents (56.23 %) *probably agreed* and *definitely agreed* that it has improved. A staggering total of 241 respondents (73.70 %) *probably agreed* and *definitely agreed* that the number of business start-ups have increased. This is in contrast with the finding regarding the number of start-up obstacles that has decreased. With a difference of just more than 10% between the respondents who agreed and disagreed, a total of 136 respondents (41.72 %) *probably agreed* and *definitely agreed* with the outcome while 100 respondents (30.67 %) *definitely disagreed* and *probably disagreed* that obstacles have decreased. Finally, approximately 129 respondents (39.57 %) *definitely agreed* that there are changes specifically in the level of entrepreneurial activity among women and the youth.

Overall, the start-up / established business owners *probably agreed* and *definitely agreed* with the outcomes of the small business policy. However, there are many of the respondents who do not know much about these outcomes or *definitely disagreed* and *probably disagreed* with them. For instance, the highest number (90) of respondents (27.61 %) *did not know* whether the number of start-up obstacles has decreased or not. The lowest number (42) of respondents (12.88 %) *did not know* whether there are any changes in the level of entrepreneurial activity among women and youth.

Table 6.16 presents the start-up / established business owners' evaluation of the impact of South Africa's small business policy.

Table 6.16: Start-up / established business owners' evaluation of the impact of South Africa's small business policy

Statement	Definitely disagree		Probably disagree		Do not know		Probably agree		Definitely agree		Total	
	n	%	n	%	n	%	n	%	n	%	n	%
Jobs have been created, resulting in a reduced unemployment rate.	66	20.31	64	19.69	42	12.92	101	31.08	52	16.00	325	100
Economic growth of the country has increased.	42	13.00	47	14.55	48	14.86	113	34.99	73	22.60	323	100
Note that if the sample was less than 340 for certain questions it is due to some respondents not completing the question.												

As reflected in Table 6.16, a total of 153 start-up / established business owners (47.08 %) *probably agreed* and *definitely agreed* that jobs have been created resulting in a reduced unemployment rate. This is not a substantial difference from the 130 respondents (40.00 %) who *definitely disagreed* and *probably disagreed* with this impact. One hundred and eighty-six (186) respondents *probably agreed* and *definitely agreed* (57.59 %) that the economic growth of the country has increased, while 89 respondents (27.55 %) *definitely disagreed* and *probably disagreed*.

In summary, the small business policy objectives spell out what government aims to achieve in the small business and entrepreneurial environment. Therefore, it will be to the advantage of start-up / established business owners to be aware of and not be totally ignorant about government's objectives and intentions to provide assistance and support to business ventures in the small business sector. Government may also have to better inform start-up and established business owners of the available support and incentives. Both parties can benefit in the long run with results such as the establishment of new businesses, more new entrepreneurs and business venture growth. It is important for start-up and established business owners to be familiar with the outputs and outcomes of the small business policy because it will to some extent prepare them for potential opportunities (demand created for small business products and services; and enterprise networks) as well as challenges (the number of start-up obstacles and the regulatory environment which has been identified as one of the major obstacles for start-up / established business owners).

In an attempt to determine the **similarities** and **differences** of the small business policy as rated by the government officials and start-up / established business owners, the responses to the "do not know" rating was not taken into account. These respondents neither *agreed* nor *disagreed* with the items provided. Therefore, similarities are based on the items where the two groups have both *definitely* and *probably agreed*, or *definitely* and *probably disagreed*.

Table 6.17 was compiled using the findings of Tables 6.9 to 6.12 and Tables 6.13 to 6.16 to illustrate the **similarities and differences** between the evaluation of the objectives, outputs, outcomes and impact of the small business policy as rated by the government officials and the start-up / established business owners.

Table 6.17: Decision criteria to determine similarities and differences regarding South Africa's small business policy as rated by government officials (GOV) and start-up / established business owners (S/E)

EVALUATION OF SOUTH AFRICA'S SMALL BUSINESS POLICY ACCORDING TO:	TYPE 1 RATING	TYPE 2 RATING	SIMILARITIES (% responses)	DIFFERENCES (% responses)
<ul style="list-style-type: none"> • Objectives • Outputs • Outcomes • Impact 	<p>Government officials (GOV)*</p> <ul style="list-style-type: none"> • Definitely disagree • Probably disagree <p>Start-up / established business owner (S/E)**</p> <ul style="list-style-type: none"> • Definitely disagree • Probably disagree 	<p>Government officials (GOV)</p> <ul style="list-style-type: none"> • Probably agree • Definitely agree <p>Start-up / established business owner (S/E)</p> <ul style="list-style-type: none"> • Probably agree • Definitely agree 	<p>Decision criterion 1:</p> <p>Type 1 rating: S/E \geq 50 % Type 1 rating: GOV \geq 50 %</p> <p>OR</p> <p>Decision criterion 2:</p> <p>Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 %</p> <p>Decision criterion 3:</p> <p>Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 %</p> <p>OR</p> <p>Decision criterion 4:</p> <p>Type 2 rating: S/E < 50% Type 2 rating: GOV < 50%</p>	<p>Decision criterion 5:</p> <p>Type 1 rating: GOV < 50 % Type 1 rating: S/E \geq 50 %</p> <p>OR</p> <p>Decision criterion 6:</p> <p>Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 %</p> <p>Decision criterion 7:</p> <p>Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %</p> <p>OR</p> <p>Decision criterion 8:</p> <p>Type 2 rating: GOV \geq 50% Type 2 rating: S/E < 50%</p>
*(GOV) = Government officials		**(S/E) = Start-up / established business owners		

Eight Decision Criteria were developed as presented in Table 6.17. Four Decision Criteria (1 to 4) will be used to identify similarities and four Decision Criteria (5 to 8) will be used to identify the differences regarding the evaluation of South Africa's small business policy according to its objectives, outputs, outcomes and impact as rated by both the government officials and start-up / established business owners.

Table 6.18 displays the **similarities** and **differences** for the government support services. The following codes will be used in Table 6.18 as well as in the graphs:

- OB1 – OB10:** Objectives of the small business policy
- OP1 – OP3:** Outputs of the small business policy
- OC1 – OC9:** Outcomes of the small business policy
- I1 – I2:** Impact of small business policy

Table 6.18: Similarities and differences of the small business policy evaluation as rated by government officials (GOV) and start-up / established business owners (S/E)

EVALUATION OF SOUTH AFRICA'S SMALL BUSINESS POLICY ACCORDING TO:	TYPE 1 RATING	TYPE 2 RATING	SIMILARITIES (% responses)	DIFFERENCES (% responses)
	<ul style="list-style-type: none"> • Objectives • Outputs • Outcomes • Impact 	Government officials (GOV)* <ul style="list-style-type: none"> • Definitely disagree • Probably disagree Start-up / established business owner (S/E)** <ul style="list-style-type: none"> • Definitely disagree • Probably disagree 	Government officials (GOV) <ul style="list-style-type: none"> • Probably agree • Definitely agree Start-up / established business owner (S/E) <ul style="list-style-type: none"> • Probably agree • Definitely agree 	Decision criterion 1 <i>OR</i> Decision criterion 2 Decision criterion 3 <i>OR</i> Decision criterion 4

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
OBJECTIVES OF THE SMALL BUSINESS POLICY							
OB1	Assist with business venture growth	4.35 %	22.39 %	91.30 %	69.85 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
OB2	Motivate more new entrepreneurs to start businesses	21.74 %	16.42 %	73.91 %	77.91 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
OB3	Target existing businesses rather than individuals	13.04 %	22.49 %	73.91 %	57.14 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
OB4	Target nascent entrepreneurs or new business starters	13.04 %	19.40 %	78.26 %	63.58 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
OB5	Focus on creating a favourable business environment (by, for example, reducing “red tape”)	34.78 %	20.96 %	65.22 %	61.98 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
OB6	Stimulate entrepreneurship and an entrepreneurial culture or climate in the country	30.44 %	15.96 %	69.56 %	74.10 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
OB7	Strive to achieve results in less than four years	34.78 %	22.96 %	43.48 %	54.38 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 %	Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E ≥ 50 %
OB8	Have a narrow, rather than a broad definition of which institutional structures constitute the support environment	45.46 %	19.45 %	45.45 %	53.70 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 %	Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E ≥ 50 %
OB9	Favour measures to support early phases of the entrepreneurial development process	26.09 %	19.28 %	73.91 %	66.27 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
OB10	Influence the quantitative aspects such as the number of self-employed, small or new business ventures rather than the quality thereof	26.09 %	20.43 %	69.56 %	58.53 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
OUTPUTS OF THE SMALL BUSINESS POLICY							
OP1	Support reaches all regions of the country because the local network for small business development services has been strengthened	60.87 %	36.45 %	30.43 %	49.09 %	Decision criterion 4: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV < 50 %	Decision criterion 6: Type 1 rating: GOV ≥ 50 % Type 1 rating: S/E < 50 %
OP2	The necessary support incentives are provided	47.83 %	33.23 %	52.17 %	49.39 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 %	Decision criterion 8: Type 2 rating: GOV ≥ 50 % Type 2 rating: S/E < 50 %
OP3	A dedicated network of SMME finance has been established	39.13 %	30.06 %	60.87 %	45.40 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 %	Decision criterion 8: Type 2 rating: GOV ≥ 50 % Type 2 rating: S/E < 50 %

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
OUTCOMES OF THE SMALL BUSINESS POLICY							
OC1	A demand has been created for small enterprise products and services	30.44 %	21.75 %	65.21 %	64.96 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
OC2	Small enterprise competencies and delivery capacity have improved	26.09 %	21.21 %	73.91 %	60.91 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
OC3	Enterprise networks, for example, between government, public institutions and private sector have strengthened	17.40 %	25.07 %	82.60 %	58.01 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
OC4	The regulatory environment has improved	52.18 %	25.23 %	30.43 %	56.23 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV \geq 50 % Type 2 rating: S/E \geq 50 %
OC5	Entrepreneurship and small business research have improved	34.78 %	20.48 %	60.87 %	63.86 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 %	
OC6	An entrepreneurship culture has been fostered	60.87 %	19.75 %	34.78 %	61.11 %		Decision criterion 6: Type 1 rating: GOV \geq 50 % Type 1 rating: S/E < 50 % Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E \geq 50 %
OC7	The number of business start-ups has increased	21.74 %	10.40 %	65.22 %	73.70 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E \geq 50 % Type 2 rating: GOV \geq 50 %	

Code		GOV	S/E	GOV	S/E	SIMILARITIES (% responses)	DIFFERENCES (% responses)
OC8	The number of start-up obstacles has decreased	69.56 %	30.67 %	30.44 %	42.72 %	Decision criterion 4: Type 2 rating: S/E < 50 % Type 2 rating: GOV < 50 %	Decision criterion 6: Type 1 rating: GOV ≥ 50 % Type 1 rating: S/E < 50 %
OC9	There are changes in the level of entrepreneurial activity among women and the youth	14.29 %	7.06 %	76.19 %	80.06 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 % Decision criterion 3: Type 2 rating: S/E ≥ 50 % Type 2 rating: GOV ≥ 50 %	
IMPACT OF SMALL BUSINESS POLICY							
I1	Jobs have been created, resulting in a reduced unemployment rate	65.22 %	40 %	30.43 %	47.08 %	Decision criterion 4: Type 2 rating: S/E < 50 % Type 2 rating: GOV < 50 %	Decision criterion 6: Type 1 rating: GOV ≥ 50 % Type 1 rating: S/E < 50 %
I2	Economic growth of the country has increased	47.82 %	27.55 %	43.48 %	57.59 %	Decision criterion 2: Type 1 rating: S/E < 50 % Type 1 rating: GOV < 50 %	Decision criterion 7: Type 2 rating: GOV < 50 % Type 2 rating: S/E ≥ 50 %
*(GOV) = Government officials		** (S/E) = Start-up / established business owners					

A noteworthy finding from Table 6.18 is the objective stating that the small business policy assists business venture growth (OB1). It received the highest positive rating of 91.30 % by the government officials compared to the 69.85 % start-up / established business owners. This is followed by the objective which states that the small business policy targets nascent entrepreneurs or new business starters (OB4). Applying Decision Criteria 2 and 3, both groups *probably agreed* and *definitely agreed* and the minority of responses *disagreed*. Start-up / established business owners (54.38 %) *probably agreed* and *definitely agreed* that the small business policy strives to achieve results in less than four years (OB7) whereas only 43.48 % government officials *probably agreed* and *definitely agreed*. This was the same scenario for OB8 which notes that small business policy has a narrow, rather than a broad definition of which institutional structures constitute the support environment. More start-up / established business owners (53.70 %) *probably agreed* and *definitely agreed* than government officials (45.45 %).

With regard to the outputs of the small business policy, 60.87% government officials *probably agreed* and *definitely agreed* that a dedicated network of SMME finance has been established (OP3) while only 45.40 % start-up / established business owners *agree* that this is the case. Access to finance is considered as one of the major challenges in the small business sector (Herrington *et al.*, 2010:33; Barron, 2009:7; Diale, 2009:195; The World Bank Group, 2010a:14; eThekweni Municipality, 2013:4). Even though the finance is available, it is not reaching the start-up / established business owners and therefore they do not agree to the same extent as the government officials. In this case Decision Criterion 2 applies for the Type 1 rating and Decision Criterion 8 for the Type 2 rating.

A striking similarity regarding the outcomes of the small business policy is the enterprise networks that have been strengthened (OC3). A large majority of government officials (80.60 %) *probably agreed* and *definitely agreed* that this is the case and 58.01 % start-up / established business owners also *probably agreed* and *definitely agreed*. Another important similarity is related to the changes in the level of entrepreneurial activity among women and youth (OC9). Both groups *probably agreed* and *definitely agreed* that these changes have taken place.

Decision Criteria 2 and 3 apply to both OC3 and OC9. There are different viewpoints regarding whether the regulatory environment has improved (OC4). Government officials mostly *disagreed* (52.18 %) whereas only 25.23 % start-up / established business owners *definitely disagreed* and *probably disagreed*. The start-up / established business owners appear to be more optimistic than government. This is the same scenario regarding whether an entrepreneurship culture has been fostered (OC6). More government officials (60.87%) *disagreed* than start-up / established business owners (19.75%). Decision Criteria 6 and 7 apply to both OC4 and OC6.

The impact of the small business policy includes only two statements. Most of the government officials (65.22 %) *definitely disagreed* and *probably disagreed* and acknowledged that the unemployment rate in South Africa is not reducing (I1) whereas only 40 % start-up / established business owners *disagree*. Furthermore, only 43.48 % government officials *agree* that the economic growth of the country has increased (I2) whereas 57.59 % of the start-up / established business owners *probably agreed* and *definitely agreed*. There are different viewpoints regarding the impact of the small business policy. Decision Criteria 4 and 6 apply to I1 whereas Decision Criteria 2 and 7 apply to I2.

The similarities and differences will be graphically illustrated in the next section and further elaborated on.

6.6.3 GRAPHS ILLUSTRATING THE SIMILARITIES AND DIFFERENCES OF THE SMALL BUSINESS POLICY AS RATED BY THE GOVERNMENT OFFICIALS AND START-UP / ESTABLISHED BUSINESS OWNERS

The extent of the **similarities** and **differences** between the government officials and start-up / established business owners will be visually displayed according to the objectives, outputs, outcomes and impact of the small business policy. The ratings of the government officials are on the x-axis and the start-up / established business owners' ratings on the y-axis. The graphs show the percentage responses rated as *probably* and *definitely agree* by the government officials and the start-up / established business owners. The percentage of responses that rated the statements as *probably* and *definitely disagree* by the government

officials and the start-up / established business owners is not reflected on the graphs as it represents the complementary percentages. The following codes will be used in the graphs:

- OB1 – OB10:** Objectives of the small business policy
- OP1 – OP3:** Outputs of the small business policy
- OC1 – OC9:** Outcomes of the small business policy
- I1 – I2:** Impact of small business policy

Figure 6.9 shows the percentage responses regarding the objectives of the small business policy.

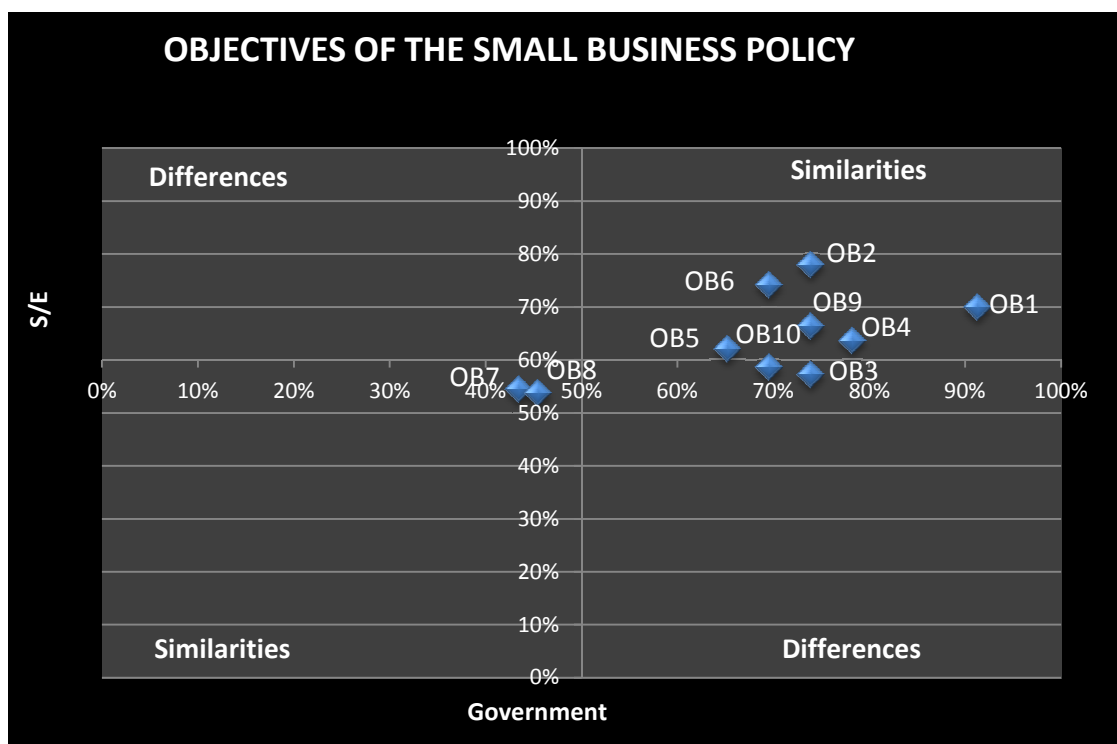


Figure 6.9: Percentage responses: Objectives of the small business policy

From Figure 6.9 it can be deduced that there is a substantial number of similarities (OB1, OB2, OB3, OB4, OB5, OB6, OB9 and OB10) rather than differences (OB7 and OB8) between the government officials and start-up / established business

owners regarding the objectives of the small business policy. The objective stating that the small business policy assists business venture growth (OB1) received the highest *positive* rating of 91.30% by the government officials compared to the 69.85% start-up / established business owners. There are only two areas of disagreement – namely, the objectives stating that the small business policy strives to achieve results in less than four years (OB7) and which notes that small business policy has a narrow, rather than a broad definition of which institutional structures constitute the support environment (OB8).

Figure 6.10 shows the percentage responses regarding the outputs of the small business policy.

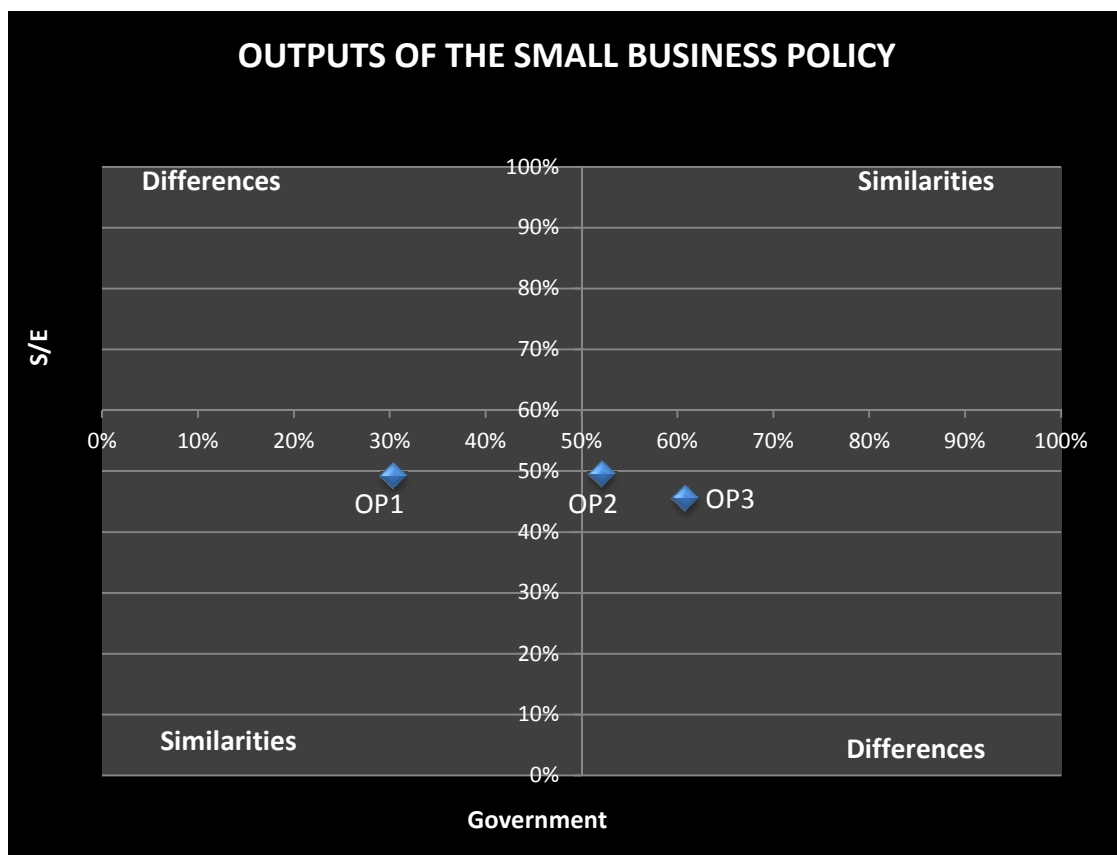


Figure 6.10: Percentage responses: Outputs of the small business policy

In Figure 6.10 one notable difference can be identified – namely, OP3 which states that a dedicated network of SMME finance has been established. The remaining two outputs (OP1 and OP2) display both areas of agreement as well as disagreement (see Table 6.18). Both the government officials and start-up / established business owners *agreed* that support reaches all regions of the

country (OP1) with the same rating of less than 50 %. However, the government officials (60.86 %) *disagreed* more than the start-up / established business owners (36.45 %) regarding OP1. With regard to the provision of the necessary support incentives (OP2) both the government officials and start-up / established business owners *disagreed* with the same rating of less than 50 %. Regarding the difference, government officials (52.17 %) *agreed* slightly more than the start-up / established business owners (49.39 %) regarding OP2.

Figure 6.11 presents the percentage responses regarding the outcomes of the small business policy.

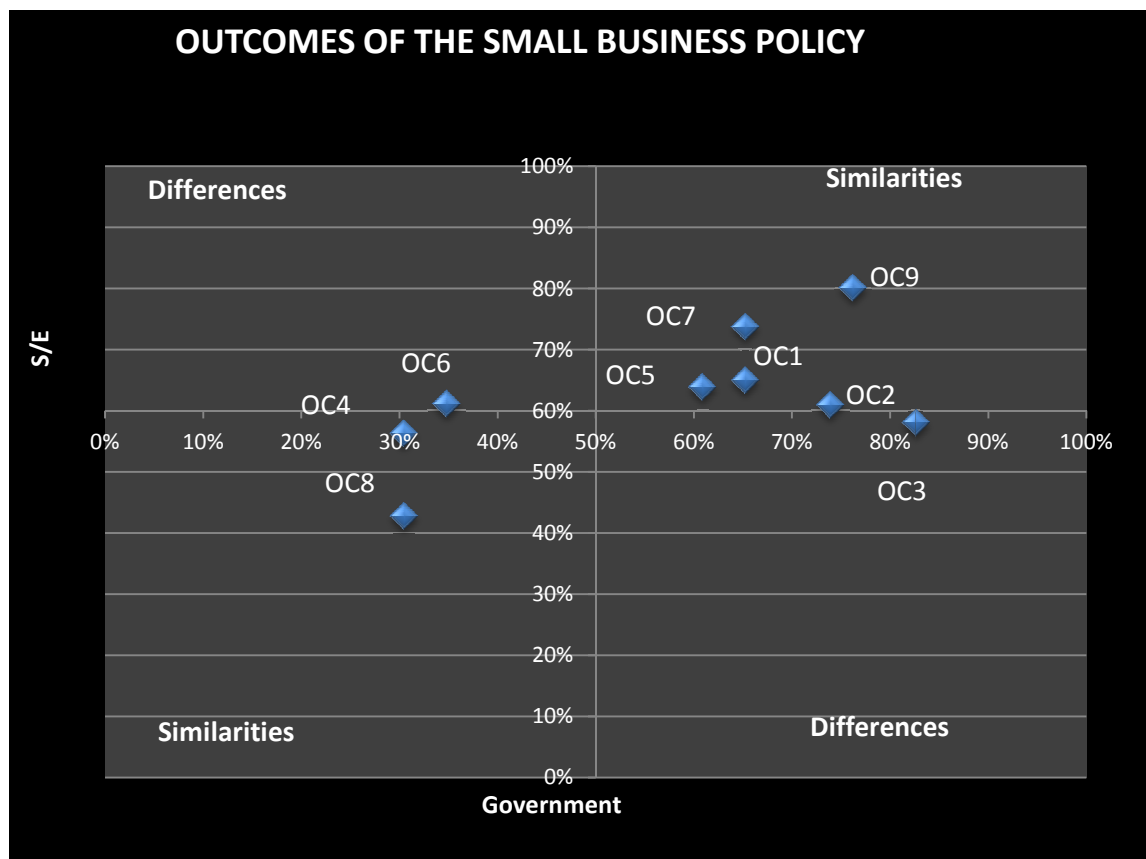


Figure 6.11: Percentage responses: Outcomes of the small business policy

Figure 6.11 illustrates that there are more similarities (OC1, OC2, OC3, OC5, OC7, OC9) than differences (OC4 and OC 6) regarding the outcomes of the small business policy. Only one outcome (OC8) has both ratings of similarity and difference. A striking similarity is OC3 which states that enterprise networks have

strengthened. Another important similarity is related to the changes in the level of entrepreneurial activity among women and youth (OC9). Both groups *probably agreed* and *definitely agreed* that these changes have taken place. Two significant areas of disagreement are OC4 and OC6. There are different viewpoints regarding whether the regulatory environment has improved (OC4). This is the same scenario regarding whether an entrepreneurship culture has been fostered (OC6).

Figure 6.12 shows the percentage responses regarding the impact of the small business policy.

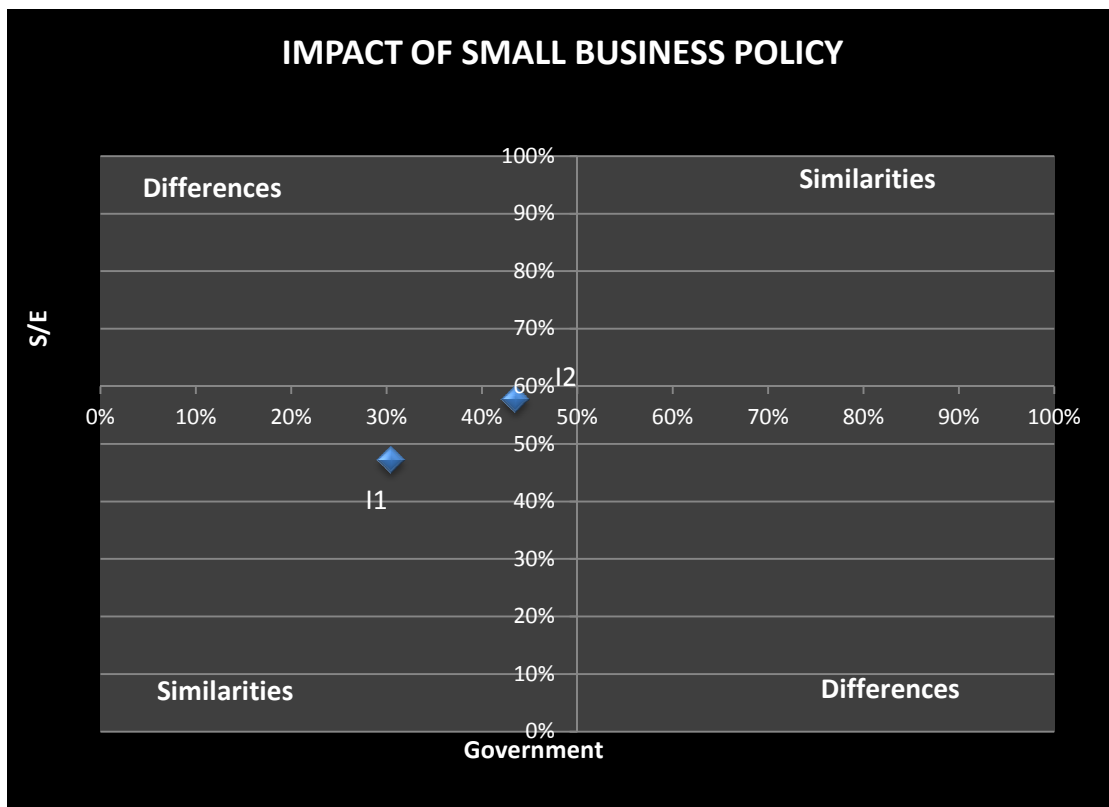


Figure 6.12: Percentage responses: Impact of the small business policy

From Figure 6.12 it can be deduced that the impact stating that the unemployment rate in South Africa is not reducing (I1) received a similar rating. Both government officials and start-up / established business owners *agreed* with ratings of less than 50%. For the difference, the government officials (65.22 %) *disagreed* more than the start-up / established business owners (40 %). This was the same scenario for impact stating that the economic growth of the country has increased (I2). However, both government officials and start-up / established business owners *disagreed* with ratings of less than 50 %. For the difference, the start-up /

established business owners (57.59 %) *agreed* more than the government officials (43.48 %).

In summary, from Table 6.18 and Figures 6.9, 6.10, 6.11 and 6.12 it can be reported that there are indeed **similarities** and **differences** between the government officials and the start-up / established business owners regarding the objectives, outputs, outcomes and impact of the small business policy. With regards to the objectives, both groups *probably agreed* and *definitely agreed* with most of the objectives while the minority of responses *definitely disagreed* and *probably disagreed*. Government is aware that their support is not reaching all the start-up / established business owners that they are suppose to. More effort has to be made to strengthen small business development services. There is lack of consensus between the two groups regarding the output labelled as support of government reaching all regions in the country. Many of the government officials (60.87%) *disagreed* while only 36.45% of the start-up / established business owners *disagreed* on the same output. This is an output that is yet to be addressed adequately by government. Most of the differences exist between the outcomes of the two groups. These differences relate to the regulatory environment and the entrepreneurship culture that has been fostered. There is also lack of consensus about job creation and economic growth as the desired impacts of the small business policy. Collectively, the government officials *disagreed* more than the start-up / established business owners regarding the impact. For the Type 2 rating, the start-up / established business owners *agreed* more positively than the government officials on the topic of the impact of the small business policy.

6.7 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENTS

Factor analyses were executed to confirm the validity and reliability of the measuring instruments. It was conducted firstly on respondents' (start-up / established business owners) needs for business skills development, business phase support and entrepreneurial skills development; and secondly, on respondents' evaluation of the objectives, outcomes and outputs and

South Africa's small business policy. Maximum likelihood factor analysis and direct quartimin rotation was used.

6.7.1 FACTOR ANALYSIS OF RESPONDENTS' NEEDS FOR BUSINESS SKILLS DEVELOPMENT, BUSINESS PHASE SUPPORT AND ENTREPRENEURIAL SKILLS NEEDED

Eigen values indicate the initial number of factors to consider. Using the Guttman-Kaiser stopping criterion, Eigen values have to be greater or equal to one to be considered to be included as a factor (Yeomans & Golder, 1982:221). The results indicated that three factors should be considered with Eigen values of 7.12128 (Factor 1), 1.77533 (Factor 2) and 1.22411 (Factor 3). These three factors explained 48.22 % of the variance.

Rotated factor loadings are shown in Table 6.19 and have been rearranged so that factor loadings greater than 0.600 appear first. A cut-off value of 0.3 was used.

Table 6.19: Rotated factor loadings

Variable no.	Description of variable	Loadings		
		Factor 1	Factor 2	Factor 3
V28	Skills to control and plan the growth of the business	0.870		
V26	Skills to do market research	0.739		
V25	Skills to compile a business plan	0.642		
V27	Skills to deal with cash-flow problems	0.637		
V30	Skills to be responsive to customer needs	0.634		
V29	Skills to manage risks as the business grows	0.620		
V24	Skills to identify and choose an initial product or service for the market when planning a start-up	0.554		
V39	Assistance to outsource business functions such as human resource management		0.759	
V41	Assistance to innovate products / services		0.666	
V40	Assistance to manage customer relations		0.613	
V37	Assistance to develop business to export products		0.579	
V38	Assistance to find new markets not exploited before		0.552	
V32	Support needed in setting up and opening a business			0.816
V31	Support needed during the start-up process of a business			0.721
V34	Support needed to manage a business that is more than 3.5 years old			0.528
V33	Support needed to manage a business until it is more than 3.5 years old			0.411
V35	Support needed when the business is declining in terms of sales, number of customers and profit			0.327

Table 6.19 illustrates three factors which are labelled:

Factor 1: Business skills needed

Factor 2: Entrepreneurial skills needed

Factor 3: Business phase support

Reliability has been determined through the use of the internal consistency measure, the Cronbach Alpha coefficient, the results of which are presented in Table 6.20. Due to the exploratory nature of the study, a threshold value of 0.600 will be used (Field, 2009:675; Saunders *et al.*, 2012:430).

Table 6.20: Cronbach Alpha results

Factor	Description	Cronbach Alpha value
Factor 1	Business skills needed	0.8673
Factor 2	Entrepreneurial skills needed	0.8126
Factor 3	Business phase support	0.8037

The derived three factors delivered excellent Cronbach Alpha results. A Cronbach Alpha coefficient value of 0.9080 was obtained for all variables used. Internal consistency has thus been confirmed.

6.7.2 FACTOR ANALYSIS FOR RESPONDENTS' EVALUATION OF THE OBJECTIVES OF SOUTH AFRICA'S SMALL BUSINESS POLICY

Initial factor analysis resulted in two factors with the second factor comprising only one variable (factor loading = 0.484) which loaded much higher on Factor 1 (factor loading = 0.849). A decision was taken to rerun the factor analysis, resulting in one acceptable factor to increase the validity and reliability of the measuring instrument. The Eigen value for Factor 1 is 4.60634, and this factor explained 41.08 % of the variance. The Cronbach alpha value is 0.8569.

Rotated factor loadings are shown in Table 6.21 and have been rearranged so that factor loadings greater than 0.600 appear first. A cut-off value of 0.3 was used.

Table 6.21: Rotated factor loadings

Variable no.	Description of variable	Loadings
		Factor 1
V56	Stimulate entrepreneurship and an entrepreneurial culture or climate in the country	0.808
V52	Motivate more new entrepreneurs to start businesses	0.787
V55	Focus on creating a favourable business environment (by, for example, reducing “red tape”)	0.783
V57	Achieve results in less than four years	0.728
V59	Favour measures to support early phases of the entrepreneurial development process	0.717
V51	Assist with business venture growth	0.711
V54	Target nascent entrepreneurs or new business starters	0.606
V60	Influence the quantitative aspects such as the number of self-employed, small or new business ventures rather than the quality thereof	0.373
V58	Have a narrow, rather than a broad definition of which institutional structures constitute the support environment	0.300

Table 6.21 illustrates one factor which is labelled:

Objectives of small business policy

6.7.3 FACTOR ANALYSIS FOR RESPONDENTS’ EVALUATION OF THE OUTPUTS OF SOUTH AFRICA’S SMALL BUSINESS POLICY

The factor analysis resulted in one acceptable factor. The Eigen value for Factor 1 is 2.37948, the Cronbach alpha value is 0.8691 and this factor explained 69.97% of the variance.

Rotated factor loadings are presented in Table 6.22 and have been rearranged so that factor loadings greater than 0.600 appear first. A cut-off value of 0.3 was used.

Table 6.22: Rotated factor loadings

Variable no.	Description of variable	Loadings
		Factor 1
V62	The necessary support incentives are provided	0.953
V63	A dedicated network of SMME finance has been established	0.783
V61	Support reaches all regions of the country because the local network for small business development services has been strengthened	0.761

Table 6.22 illustrates one factor which is labelled:

Outputs of small business policy

6.7.4 FACTOR ANALYSIS FOR RESPONDENTS' EVALUATION OF THE OUTCOMES OF SOUTH AFRICA'S SMALL BUSINESS POLICY

The factor analysis resulted in one acceptable factor. The Eigen value for Factor 1 is 4.62387, the Cronbach alpha value is 0.8804 and this factor explained 45.46 % of the variance in data.

Table 6.23: Rotated factor loadings

Variable no.	Description of variable	Loadings
		Factor 1
V67	Enterprise networks, for example, between government, public institutions and private sector have strengthened	0.759
V68	The regulatory environment has improved	0.737
V69	Entrepreneurship and small business research have improved	0.735
V65	A demand has been created for small enterprise products and services	0.692
V66	Small enterprise competencies and delivery capacity have improved	0.689
V70	An entrepreneurship culture has been fostered	0.686
V71	The number of business start-ups has increased	0.613
V72	The number of start-up obstacles has decreased	0.605
V73	There are changes in the level of entrepreneurial activity among women and the youth	0.516

Table 6.23 illustrates one factor which is labelled:

Outcomes of small business policy

Factor analysis was not performed for the impact of the small business policy because it only consisted of two statements. The results shown in the above factor analyses indicate that questions in this study related to:

1. **Needs** of start-up / established business owners resulted in three factors
2. **Objectives** resulted in one factor
3. **Outputs** resulted in one factor
4. **Outcomes** resulted in one factor

These factors will be used in further statistical tests. This also confirms the construct validity of the questionnaire. Reliability, through the use of the Cronbach Alpha coefficient, was confirmed. Different statistical tests were conducted to determine the impact of the small business policy. The next section will present the inferential statistics and will be described according to the hypotheses as stated in Chapters 1 and 5.

6.8 INFERENCE STATISTICS

An evaluation of the small business policy was executed to determine the need for an entrepreneurship policy by the start-up / established business owners.

6.8.1 HYPOTHESES 1 AND 2

The evaluation of the small business policy was conducted through the formulation of the following hypotheses to be tested statistically:

Null hypothesis (H1₀):

The age of a business does not have an effect on the level of agreement with respect to:

- 1.(a) *Objectives of the small business policy*
- 1.(b) *Outputs of the small business policy*
- 1.(c) *Outcomes of the small business policy*

Alternative hypothesis (H1_a):

The age of a business has an effect on the level of agreement with respect to:

- 1.(a) *Objectives of the small business policy*
- 1.(b) *Outputs of the small business policy*
- 1.(c) *Outcomes of the small business policy*

Null hypothesis (H2₀):

The metropolitan municipality (in which it is located) does not have an effect on the level of agreement with respect to:

- 2.(a) *Objectives of the small business policy*
- 2.(b) *Outputs of the small business policy*
- 2.(c) *Outcomes of the small business policy*

Alternative hypothesis (H2_a):

The metropolitan municipality (in which it is located) has an effect on the level of agreement with respect to:

2.(a) Objectives of the small business policy

2.(b) Outputs of the small business policy

2.(c) Outcomes of the small business policy

The small business policy consists of the following constructs – namely, objectives, outputs, outcomes and impact. These constructs were evaluated by the government officials involved in small business development as well as the start-up / established business owners who the policy is aimed at. As the impact constituted only of two statements, a separate hypothesis was formulated to test statistically. Descriptive analysis will also be provided in Section 6.8.2.

This section discusses the use of a General Linear Model (GLM) to determine the statistical significant effect of (i) start-up and established businesses, and (ii) the metropolitan municipality where the business is located, as well as the interaction effect between them, with regard to the objectives, outputs and outcomes represented through the factor scores that were calculated as the average of the variables constituting each factor. “Start-ups” are defined as businesses less than 3.5 years in existence. Businesses more than 3.5 years are labelled “established businesses”. These two types of businesses can be run by either small business owners or entrepreneurs.

The use of ANOVA requires the verification of two assumptions; (1) normal distribution of the dependent variable for each category of the independent variable, and (2) equal variances. These assumptions were tested and the results showed that this was not the case. Therefore, a ‘Normal Blom Transformation’ was conducted, which then resulted in the assumptions been met and the study could continue with the execution of an ANOVA. Transformations are usually applied so

that the data appear to more closely meet the assumptions of a statistical inference procedure that is to be applied.

The standard way of summarising the results of a GLM contains the sources of variation, the degrees of freedom, sum of squares, mean squares and calculated F-value.

6.8.1.1 RESULTS FOR HYPOTHESES 1(A) AND 2(A): OBJECTIVES OF SOUTH AFRICA'S SMALL BUSINESS POLICY

The GLM result for the objectives factor is presented in Table 6.24. The results indicate that the model is statistically significant at the 1 % level of significance ($\alpha = 0.01$).

Table 6.24: General Linear Model result for the factor “Objectives of the small business policy” as dependent variable

Source	DF	Sum of squares	Mean square	F value	p value
Model	5	46.9029658	9.3805932	10.80	<0.0001*
Error	317	275.4043280	0.8687834		
Corrected total	322	322.3072938			

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.

The ANOVA results for each of the effect variables as well as the interaction effect are shown in Table 6.25.

Table 6.25: Tests of Between-Subjects effects for the factor “Objectives of the small business policy” as dependent variable

Independent variable	DF	Sum of squares	Mean square	F value	p value
Age of the business	1	0.46261395	0.46261395	0.53	0.4661
Metropolitan municipality	2	36.34900756	18.17450378	20.92	<0.0001*
<u>Interaction effect:</u> (Age of business) x (Metropolitan municipality)	2	0.42491029	0.21245515	0.24	0.7832

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.
 °Interaction effect between age of business and Metropolitan municipality.

Using a significance level of 1 % ($\alpha = 0.01$) the results in Table 6.25 show that only the metropolitan municipality variable has a statistical significant effect with regard to the level of agreement on the objectives of the small business policy. This result confirms the previously discussed Table 3.5 in Chapter 3. The objectives of the small business policy are viewed and interpreted differently in the different provinces and therefore in the different metropolitan municipalities. The age of the business ($p = 0.4661$) as well as the interaction effect between age of business and metropolitan municipality ($p = 0.7832$) has no statistical significant effect with regard to the level of agreement on the objectives of the small business policy. This means that there is no statistical significant difference between the start-up and established business owners with regard to their viewpoints of the objectives of the small business policy.

Based on the statistical significance found for the metropolitan municipality as independent variable, the differences between each possible pair of the metropolitan municipality groups are subsequently examined. Table 6.26 indicates the significantly different stratification group means at a specified level.

Table 6.26: Variables that show significant differences regarding the objectives of the small business policy for the start-up / established business owners' group

Variable	n	Mean	Standard deviation
Metropolitan municipality			
City of Cape Town	57	3.13684211	0.91077510
Cities of Ekurhuleni, Johannesburg & Tshwane	226	3.86460177	0.72943453
City of eThekweni	40	3.08000000	0.87213266

The results in Table 6.26 imply that the location of the start-up / established business owners does affect their standpoint on the objectives of the small business policy. Some of these objectives include assistance with business venture growth, targeting existing businesses rather than individuals and focusing on creating a favourable business environment. The City of Cape Town (mean = 3.14) and City of eThekweni (mean = 3.08) have the closest mean scores to each other which were totally different from the remaining metropolitan

municipalities (mean = 3.86). Therefore, the City of Cape Town and City of eThekweni tend to agree more with each other regarding the objectives of the small business policy than the Cities of Ekurhuleni, Johannesburg and Tshwane. From Section 3.5 the latter metropolitan municipalities, which are located in Gauteng Province, have the most clearly spelt-out small business objectives compared to the Western Cape and KwaZulu-Natal Provinces.

6.8.1.2 RESULTS FOR HYPOTHESES 1(B) AND 2(B): OUTPUTS OF SOUTH AFRICA'S SMALL BUSINESS POLICY

The GLM result for the outputs factor is presented in Table 6.27. The results indicate that the model is statistically significant at the 1 % level of significance ($\alpha = 0.01$).

Table 6.27: General Linear Model result for the factor “Outputs of the small business policy” as dependent variable

Source	DF	Sum of squares	Mean square	F value	p value
Model	5	25.4369460	5.0873892	5.42	<0.0001*
Error	307	288.1796568	0.9386960		
Corrected total	312	313.6166028			

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.

The ANOVA results for each of the effect variables as well as the interaction effect are shown in Table 6.28.

Table 6.28: Tests of Between-Subjects Effects for the factor “Outputs of the small business policy” as dependent variable

Independent variable	DF	Sum of squares	Mean square	F value	p value
Age of the business	1	0.90098257	0.90098257	0.96	0.3280
Metropolitan municipality	2	18.20540569	9.10270284	9.70	<0.0001*
Interaction effect: (Age of business) x (Metropolitan municipality) ^o	2	0.87804955	0.43902477	0.47	0.6269

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.
^oInteraction effect between age of business and Metropolitan municipality.

Using a significance level of 1 % ($\alpha = 0.01$) the results in Table 6.28 show that a metropolitan municipality single-handedly has a statistical significant effect with regard to the level of agreement on the outputs of the small business policy. Age of the business ($p = 0.3280$) as well as the interaction effect between age of business and metropolitan municipality ($p = 0.6269$) has no statistical significant effect with regard to the level of agreement on the outputs of the small business policy. This means that the outputs of the small business policy are viewed differently by the different metropolitan municipalities. However, the age of the business does not show any statistical significant difference. Start-up and established business owners expect similar outputs to assist with their business endeavours. The outputs of the small business policy include support services, finance and incentives that have to reach all regions of the country. The results in Table 6.28 indicate that there are different viewpoints regarding government's efforts and attempts to be equally successful in all the selected metropolitan municipalities.

Based on the statistical significance found for the metropolitan municipality as independent variable, differences between each possible pair of the metropolitan municipality groups is subsequently examined. Table 6.29 indicates the significantly different stratification group means at a specified level.

Table 6.29: Variables that show significant differences regarding the outputs of the small business policy for the start-up / established business owners' group

Variable	n	Mean	Standard deviation
Metropolitan municipality			
City of Cape Town	57	2.7514620	1.20534986
Cities of Ekurhuleni, Johannesburg & Tshwane	216	3.37654321	1.18438819
City of eThekweni	40	2.47500000	1.13199393

The results in Table 6.29 imply that the location of the start-up / established business owners does affect their standpoint on the outputs of the small business policy. The City of Cape Town (mean = 2.75) and the City of eThekweni (mean = 2.48) have the closest means to each other while the remaining

metropolitan municipalities have a much higher mean of 3.38. The cities of Ekurhuleni, Johannesburg and Tshwane agree more than the other two metropolitan municipalities that the outputs of the small business policy are being accomplished. It is interesting to note that support services such as finance and incentives are better provided in Gauteng Province than in the Western Cape and KwaZulu-Natal provinces. A possible reason may be that the objectives for entrepreneurship and small business development are more detailed in Gauteng Province as previously mentioned in Section 6.8.1.1.

6.8.1.3 RESULTS FOR HYPOTHESES 1(C) AND 2(C): OUTCOMES OF SOUTH AFRICA'S SMALL BUSINESS POLICY

The GLM result for the outcomes factor is presented in Table 6.30. The results indicate that the model is statistically significant at the 5 % level of significance ($\alpha = 0.05$).

Table 6.30: General Linear Model result for the factor “Outcomes of the small business policy” as dependent variable

Source	DF	Sum of squares	Mean square	F value	p value
Model	5	22.2276316	4.4455263	4.65	0.0004*
Error	314	300.3795448	0.9566228		
Corrected total	319	322.6071764			

*Statistically significant at $\alpha = 0.05$, Confidence interval: 95 %.

The ANOVA results for each of the effect variables as well as the interaction effect are shown in Table 6.31.

Table 6.31: Tests of the Between-Subjects Effects for the factor “Outcomes of the small business policy” as dependent variable

Independent variable	DF	Sum of squares	Mean square	F value	<i>p</i> value
Age of the business	1	3.41581761	3.41581761	3.57	0.0597
Metropolitan municipality	2	12.28141506	6.14070753	6.42	0.0019*
<u>Interaction effect:</u> (Age of business) x (Metropolitan municipality) [°]	2	2.11537975	1.05768987	1.11	0.3323
*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %. [°] Interaction effect between age of business and Metropolitan municipality.					

Using a significance level of 5 % ($\alpha = 0.05$) the results in Table 6.31 show that only a metropolitan municipality has a statistical significant effect with regard to the level of agreement on the outcomes of the small business policy. Age of the business ($p = 0.0597$) as well as the interaction effect between age of business and metropolitan municipality ($p = 0.3323$) has no statistical significant effect with regard to the level of agreement on the outcomes of the small business policy. The results in Table 6.31 mean that the outcomes of the small business policy are influenced by the location of the business venture. Outcomes such as an improved regulatory environment, decreased business start-up obstacles and changes in youth and women entrepreneurial activity are perceived differently in the different metropolitan municipalities. With regard to the age of the business there is no statistical significant difference between the start-up and established businesses. Both types of businesses expect similar outcomes to support their business development needs.

Based on the statistical significance found for the metropolitan municipality as independent variable, differences between each possible pair of the metropolitan municipality groups is subsequently examined. Table 6.32 indicates the significantly different stratification group means at a specified level.

Table 6.32: Variables that show significant differences regarding the outcomes of the small business policy for the start-up / established business owners' group

Variable	n	Mean	Standard deviation
Metropolitan municipality			
City of Cape Town	57	3.20662768	0.85692495
Cities of Ekurhuleni, Johannesburg & Tshwane	223	3.72296961	0.82717914
City of eThekweni	40	3.35000000	0.88372789

The results in Table 6.32 imply that the location of the start-up / established business owners does affect their standpoint on the outcomes of the small business policy. The City of Cape Town (mean = 3.21) and City of eThekweni (mean = 3.35) have the closest mean scores to each other than the remaining metropolitan municipalities (mean = 3.72). The Cities of Ekurhuleni, Johannesburg and Tshwane tend to *agree* more than the other two metropolitan municipalities that the small business policy outcomes are being reached. This means that outcomes such as creating a demand for small enterprise products and services, and improving small enterprise competencies and delivery capacity have been accomplished to a lesser extent in the City of Cape Town and City of eThekweni than in the Cities of Ekurhuleni, Johannesburg and Tshwane. The outcomes of the small business policy should help to create a favourable business environment for all entrepreneurs and small business owners. Therefore, the outcomes are of equal importance in all the selected metropolitan municipalities and should be addressed as such by the government.

6.8.1.4 THE KRUSKAL-WALLIS ONE-WAY ANALYSIS OF VARIANCE BY RANKS (TO SUPPORT HYPOTHESES 1 AND 2)

The previous tests reflected the viewpoint of the start-up / established business owners. The research problem indicates that there is an additional need to determine whether there were statistical significant differences between how the government officials and the businesses that they serve, view the small business policy in terms of their level of agreement on objectives, outputs and outcomes.

The Kruskal-Wallis Test (Table 6.33) is used to determine statistical significant differences between the groups: government officials, start-up and established businesses in the metropolitan municipalities.

Table 6.33: Kruskal-Wallis Test results: Comparison of the start-up businesses, established businesses and government officials with regard to their level of agreement on objectives, outputs and outcomes of the small business policy

	Objectives	Outputs	Outcomes
Chi-Square	10.37	8.26	14.34
DF	2	2	2
Asymp. Sig	0.0006	0.0016	0.0001
Significance level	< 0.05	< 0.05	< 0.01

Table 6.33 illustrates that there is a statistical significant difference between the groups of government officials, start-up and established business owners at:

- (a) the 1 % level of significance ($\alpha = 0.01$) with regard to:
 - (1) Outcomes ($p = 0.0001$) and
- (b) The 5 % level of significance ($\alpha = 0.5$) with regard to:
 - (1) Objectives ($p = 0.0006$)
 - (2) Outputs ($p = 0.0016$)

Furthermore, the mean ranks indicate that the start-up business owners (mean rank = 198.82) tend to *agree* the most with regard to the objective statements of the small business policy than the government officials and established business owners (mean rank = 162.66). Government officials tend to *agree* the least with regards to the objective statements (mean rank = 171.67) of the small business policy. This is the same scenario with regards to the outputs (mean rank = 190.75) and outcomes (mean rank = 199.44) of the small business policy where the start-up business owners tend to *agree* the most of the three groups. The results confirm that the small business policy is viewed differently by the three groups when it is suppose to be in line with each other's expectations.

As previously mentioned, the small business policy consists of the following constructs – namely, objectives, outputs, outcomes and impact. Hypotheses 1 and 2 focused on the objectives, outputs and outcomes. Hypotheses 3 and 4 will focus specifically on the evaluation of the impact of the small business policy.

6.8.2 HYPOTHESIS 3

The evaluation of the impact of the small business policy was conducted through the formulation of the following hypotheses to be tested statistically:

Null hypothesis (H₃₀):

There exists no statistical significant difference between the start-up and established business owners with regard to their views on the impact of the small business policy that:

1. *Jobs have been created, resulting in a reduced unemployment rate;
and*
2. *Economic growth of the country has increased.*

Alternative hypothesis (H_{3a}):

There exists a statistical significant difference between start-ups and established business owners with regard to their views on the impact of the small business policy that:

1. *Jobs have been created, resulting in a reduced unemployment rate;
and*
2. *Economic growth of the country has increased.*

This means that the two groups of start-up and established businesses have different views regarding the impact of the small business policy. A possible reason may be that start-up businesses first have to focus on setting up, managing and growing their ventures. Job creation and economic growth may be the aim of government, but it is certainly not considered to be the key focus of start-up businesses. Established businesses may be able to concentrate more on job creation and making a contribution towards the economy because they have been in operation longer.

6.8.2.1 RESULTS FOR HYPOTHESIS 3: IMPACT OF SOUTH AFRICA'S SMALL BUSINESS POLICY

The Mann-Whitney *U* Test (Table 6.34) is used to determine statistical significant differences between the groups: start-up and established businesses with regard to their views on the impact of the small business policy.

Table 6.34: Mann-Whitney *U* Test results: Comparison of the start-up businesses and established businesses with regard to their views on the impact of the small business policy

	Jobs have been created, resulting in a reduced unemployment rate	Economic growth of the country has increased
Mann-Whitney <i>U</i> Test	9 535.000	10 029.000
Asymp. Sig (2-tailed)	0.0001	0.0001
Significance level	<0.01	<0.01

Table 6.34 illustrates that there is a statistical significant difference between the start-up businesses and established businesses at:

- (a) the 1 % level of significance ($\alpha = 0.01$) with regard to:
 - (1) Jobs that have been created, resulting in a reduced unemployment rate ($p = 0.0001$) and
 - (2) Economic growth of the country has increased ($p = 0.0001$).

This means that the two groups of start-up and established businesses have different views regarding the impact of the small business policy. A possible reason may be that start-up businesses first have to focus on setting up, managing and growing their ventures. Job creation and economic growth may be the aim of government, but it is certainly not considered to be the initial key focus of start-up businesses. Established businesses may be able to concentrate more on job creation and making a contribution towards the economy because they have been in operation longer. Therefore, government should keep in mind that start-up businesses as well as established businesses need support services that will

address their specific needs which can ultimately result in jobs and economic development.

6.8.3 HYPOTHESIS 4

The evaluation of the impact of the small business policy between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces was conducted through the formulation of the following hypotheses to be tested statistically:

Null hypothesis (H₄₀):

There exists no statistical significant difference between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:

1. *Jobs have been created, resulting in a reduced unemployment rate;
and*
2. *Economic growth of the country has increased.*

Alternative hypothesis (H_{4a}):

There exists a statistical significant difference between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:

1. *Jobs have been created, resulting in a reduced unemployment rate;
and*
2. *Economic growth of the country has increased.*

6.8.3.1 RESULTS FOR HYPOTHESIS 4: THE KRUSKAL-WALLIS ONE-WAY ANALYSIS OF VARIANCE BY RANKS

The Kruskal-Wallis Test (Table 6.35) is used to determine statistical significant differences between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy.

Table 6.35: Kruskal-Wallis Test results: Comparison of the start-up and established businesses located in the selected metropolitan municipalities with regard to their views on the impact of the small business policy

	Jobs have been created, resulting in a reduced unemployment rate	Economic growth of the country has increased
Chi-square	14.485	19.842
DF	2	2
Asymp. Sig	0.0001	0.0001
Significance level	<0.01	<0.01

Table 6.35 illustrates that there is a statistical significant difference between the groups of start-up and established business owners located in the selected metropolitan municipalities at:

- (a) the 1 % level of significance ($\alpha = 0.01$) with regard to:
 - (1) Jobs that have been created, resulting in a reduced unemployment rate ($p = 0.0001$) and
 - (2) Economic growth of the country has increased ($p = 0.0001$).

Furthermore, the mean ranks indicate that the start-up and established business owners in Gauteng Province (mean rank = 183.57) tend to agree more with regards to the impact statements than the start-up and established business owners in KwaZulu-Natal Province (mean rank = 160.23). Western Cape Province start-up and established business owners tend to agree less with regards to the impact statements (mean rank = 131.88). Therefore, the location of the start-up

and established businesses influences their viewpoints regarding the impacts of the small business policy. The unemployment rate is not the same across the different provinces which may play a role in how intense entrepreneurial activities will be pursued. Therefore, government has to consider these differences in location in mind when designing and improving policy.

6.8.3.2 DESCRIPTIVE ANALYSIS OF THE IMPACT OF THE SMALL BUSINESS POLICY

Table 6.36 presents the mean scores and standard deviation of the government officials, start-up and established businesses regarding the impact of the small business policy.

Table 6.36: Impact of the small business policy: Mean and standard deviation

Impact of small business policy	Government officials		Start-up businesses		Established businesses	
	Mean	SD	Mean	SD	Mean	SD
Jobs have been created, resulting in a reduced unemployment rate.	2.3913043	1.1961731	3.1468927	1.3403290	2.8321168	1.4880373
Economic growth of the country has increased.	2.7826087	1.3127529	3.6022727	1.1714682	3.0948905	1.4846430

From Table 6.36 it can be deduced that the mean score for the job creation impact is rated the highest by the start-up businesses which state that they tend *not to know* whether the impact has indeed realised. The remaining two groups' mean scores are below three (3) which implies that they tend to *probably disagree* with the statement. The government officials' mean score was the lowest (2.39). Regarding the second impact, the start-up businesses (3.60) tend to *probably agree* and established businesses (3.09) tend *not to know* whether the economic growth rate has increased. The government officials *probably disagreed* with the mean score of 2.78.

The next section will discuss the inferential statistics to support Hypotheses 5, 6, 7 and 8. The hypotheses will be discussed collectively because they entail the variable of needs in terms of the start-up and established business owners.

6.8.4 HYPOTHESES 5, 6, 7 AND 8

An evaluation of the small business policy was executed to determine whether it addresses the needs of start-up and established business owners. The evaluation of the small business policy was conducted through the formulation of the following hypotheses to be tested statistically:

Null hypothesis (H₅₀):

*The age of a business does not have an effect on the level of importance of **established business owners' needs** with respect to:*

- 5.(a) Business skills needed*
- 5.(b) Entrepreneurial skills needed*
- 5.(c) Business phase support*

Alternative hypothesis (H_{5a}):

*The age of a business has an effect on the level of importance of **established business owners' needs** with respect to:*

- 5.(a) Business skills needed*
- 5.(b) Entrepreneurial skills needed*
- 5.(c) Business phase support*

Null hypothesis (H6₀):

*The metropolitan municipality (in which it is located) does not have an effect on the level of importance of **established business owners' needs** with respect to:*

- 6.(a) *Business skills needed*
- 6.(b) *Entrepreneurial skills needed*
- 6.(c) *Business phase support*

Alternative hypothesis (H6_a):

*The metropolitan municipality (in which it is located) has an effect on the level of importance of **established business owners' needs** with respect to:*

- 6.(a) *Business skills needed*
- 6.(b) *Entrepreneurial skills needed*
- 6.(c) *Business phase support*

Null hypothesis (H7₀):

*The age of a business does not have an effect on level of importance of **start-up business owners' needs** with respect to:*

- 7.(a) *Business skills needed*
- 7.(b) *Entrepreneurial skills needed*
- 7.(c) *Business phase support*

Alternative hypothesis (H7_a):

*The age of a business has an effect on level of importance of **start-up business owners' needs** with respect to:*

- 7.(a) *Business skills needed*
- 7.(b) *Entrepreneurial skills needed*
- 7.(c) *Business phase support*

Null hypothesis (H8₀):

*The metropolitan municipality (in which it is located) does not have an effect on level of importance of **start-up business owners' needs** with respect to:*

- 8.(a) *Business skills needed*
- 8.(b) *Entrepreneurial skills needed*
- 8.(c) *Business phase support*

Alternative hypothesis (H8_a):

*The metropolitan municipality (in which it is located) has an effect on level of importance of **start-up business owners' needs** with respect to:*

- 8.(a) *Business skills needed*
- 8.(b) *Entrepreneurial skills needed*
- 8.(c) *Business phase support*

6.8.4.1 RESULTS OF HYPOTHESES 5(A), 6(A), 7(A) AND 8(A): BUSINESS SKILLS NEEDED

The GLM result for the business skills needed factor is presented in Table 6.37. The results indicate that the model is statistically significant at the 1 % level of significance ($\alpha = 0.01$).

Table 6.37: General Linear Model result for the factor “Business skills needed” as dependent variable

Source	DF	Sum of squares	Mean square	F value	p value
Model	5	49.2739515	9.8547903	11.39	<0.0001*
Error	319	275.9919697	0.8651786		
Corrected total	324	325.2659213			

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.

The ANOVA results for each of the effect variables as well as the interaction effect are shown in Table 6.38.

Table 6.38: Tests of Between-Subjects Effects for the factor “Business skills needed” as dependent variable

Independent variable	DF	Sum of squares	Mean square	F value	p value
Age of the business	1	0.01496822	0.01496822	0.02	0.8954
Metropolitan municipality	2	39.59890483	19.79945242	22.88	<0.0001*
<u>Interaction effect:</u> (Age of business) x (Metropolitan municipality)	2	2.45387422	1.22693711	1.42	0.2437

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.
 °Interaction effect between age of business and Metropolitan municipality.

Using a significance level of 1 % ($\alpha = 0.01$) the results in Table 6.38 show that only the metropolitan municipality variable has a statistical significant effect with regard to the level of importance of the business skills needed. Age of the business ($p = 0.8954$) as well as the interaction effect between age of business and

metropolitan municipality ($p = 0.2437$) has no statistical significant effect with regard to the level of importance of the business skills needed. The results in Table 6.38 mean that the need for business skills such as business plan compilation, market research and risk management differ in the different metropolitan municipalities. However, there is no statistical significant difference in terms of the age of the business which means that both the start-up and established business owners considered the business skills as a necessity.

Based on the statistical significance found for the metropolitan municipality as independent variable, differences between each possible pair of the metropolitan municipality groups is subsequently examined. Table 6.39 indicates the significantly different stratification group means at a specified level.

Table 6.39: Variables that show significant differences regarding the business skills needed for the start-up / established business owners' group

Variable	n	Mean	Standard deviation
Metropolitan municipality			
City of Cape Town	57	4.04010025	0.6328466
Cities of Ekurhuleni, Johannesburg & Tshwane	228	4.44486216	0.58179977
City of eThekweni	40	3.66428571	0.79542780

The results in Table 6.39 show that there are statistical significant differences between the metropolitan municipalities regarding business skills needed. This result implies that the location of the start-up / established business owners does affect their standpoint on the need for business skills. The different means are as follows: City of Cape Town (mean = 4.04), City of eThekweni (mean = 3.66) and the remaining metropolitan municipalities (mean = 4.44). The City of Cape Town and Cities of Ekurhuleni, Johannesburg and Tshwane have mean scores of four (4) and more which imply that they tend to agree more than the City of eThekweni about the importance of different business skills needed such as dealing with cash-flow problems, controlling and planning the growth of the business and being responsive to customer needs. The City of eThekweni with the

lowest mean should focus on highlighting the importance of business skills towards the sustainability of business ventures.

6.8.4.2 RESULTS OF HYPOTHESES 5(B), 6(B), 7(B) AND 8(B): ENTREPRENEURIAL SKILLS NEEDED

The GLM result for the entrepreneurial skills needed factor is presented in Table 6.40. The results indicate that the model is statistically significant at the 1 % level of significance ($\alpha = 0.01$).

Table 6.40: General Linear Model result for the factor “Entrepreneurial skills needed” as dependent variable

Source	DF	Sum of squares	Mean square	F value	p-value
Model	5	52.6435826	10.5287165	12.58	<0.0001*
Error	319	266.9177059	0.8367326		
Corrected total	324	319.5612885			

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.

The ANOVA results for each of the effect variables as well as the interaction effect are shown in Table 6.41.

Table 6.41: Tests of Between-Subjects Effects for the factor “Entrepreneurial skills needed” as dependent variable

Independent variable	DF	Sum of squares	Mean square	F value	p-value
Age of the business	1	0.12033476	0.12033476	0.14	0.7048
Metropolitan municipality	2	47.03189462	23.51594731	28.10	<0.0001*
Interaction effect: (Age of business) x (Metropolitan municipality) ^o	2	0.11222306	0.05611153	0.07	0.9352

*Statistically significant at $\alpha = 0.01$, Confidence interval: 99 %.
^oInteraction effect between age of business and Metropolitan municipality.

Using a significance level of 1 % ($\alpha = 0.01$) the results in Table 6.41 show that only a metropolitan municipality has a statistical significant effect with regard to the level of importance of the entrepreneurial skills needed. Age of the business ($p = 0.7048$) as well as the interaction effect between age of business and metropolitan municipality ($p = 0.9352$) has no statistical significant effect with regard to the level of importance of the entrepreneurial skills needed. The results in Table 6.41 mean that the need for entrepreneurial skills differs in the different metropolitan municipalities. These important skills include finding new markets not exploited before, innovating products and services as well as developing businesses to export products. However, there is no statistical significant difference in terms of the age of the business which means that both the start-up and established business owners regard the need for entrepreneurial skills as important and advantageous to their business ventures.

Using a significance level of 1 % ($\alpha = 0.01$), the GLM and ANOVA results (discussed in Section 6.8.4), indicated that only the metropolitan municipality variable has a statistical significant effect with regard to the level of importance of the entrepreneurial skills needed.

Based on the statistical significance found for the metropolitan municipality as independent variable, differences between each possible pair of the metropolitan municipality groups is subsequently examined. Table 6.42 indicates the significantly different stratification group means at a specified level.

Table 6.42: Variables that show significant differences regarding the entrepreneurial skills needed for the start-up / established business owners' group

Variable	n	Mean	Standard deviation
Metropolitan municipality			
City of Cape Town	57	3.22807018	0.85153765
Cities of Ekurhuleni, Johannesburg & Tshwane	228	3.99812030	0.75717435
City of eThekweni	40	3.23214286	0.77011658

The results in Table 6.42 show that there is a statistical significant difference between the metropolitan municipalities regarding the entrepreneurial skills needed. This result implies that the location of the start-up / established business owners does affect their standpoint on the need for entrepreneurial skills. The City of Cape Town (mean = 3.23) and City of eThekweni (mean = 3.23) have the same mean scores which were totally different from the remaining metropolitan municipalities (mean = 3.99). These results mean that the Cities of Ekurhuleni, Johannesburg and Tshwane tend to regard the need for entrepreneurial skills as more important than the City of Cape Town and City of eThekweni due to the different local business environments. In Section 3.5 regional small business and entrepreneurship were discussed to highlight the differences between the selected provinces where the metropolitan municipalities are located. The mean scores are also lower than for the business skills (Table 6.39). A possible reason may be that the business owners still have to harness their entrepreneurial skills.

6.8.4.3 RESULTS OF HYPOTHESES 5(C), 6(C), 7(C) AND 8(C): BUSINESS PHASE SUPPORT

The GLM result for the business phase support is presented in Table 6.43. The results indicate that the model is statistically significant at the 5 % level of significance ($\alpha = 0.05$).

Table 6.43: General Linear Model result for the factor “Business phase support” as dependent variable

Source	DF	Sum of squares	Mean square	F value	p value
Model	5	18.2201065	3.6440213	3.79	0.0024*
Error	319	306.8162846	0.9618065		
Corrected total	324	325.0363911			

*Statistically significant at $\alpha = 0.05$, Confidence interval: 95 %.

The ANOVA results for each of the effect variables as well as the interaction effect are shown in Table 6.44.

Table 6.44: Tests of Between-Subjects Effects for the factor “Business phase support” as dependent variable

Independent variable	DF	Sum of squares	Mean square	F value	<i>p</i> -value
Age of the business	1	0.13897388	0.13897388	0.14	0.7041
Metropolitan municipality	2	14.09242359	7.04621180	7.33	0.0008*
<u>Interaction effect:</u> (Age of business) x (Metropolitan municipality) [°]	2	2.18787628	1.09393814	1.14	0.3220
*Statistical significant at $\alpha = 0.01$, Confidence interval: 99 %. [°] Interaction effect between age of business and Metropolitan municipality.					

Using a significance level of 5 % ($\alpha = 0.05$) the results in Table 6.44 show that only the metropolitan municipality variable has a statistical significant effect with regard to the level of importance of the business phase support. Age of the business ($p = 0.7041$) as well as the interaction effect between age of business and metropolitan municipality ($p = 0.3220$) have no statistical significant effect with regard to the level of importance of the business phase support. The results in Table 6.44 mean that business phase support (for example, during the start-up process) in setting up and opening a business, and managing a new business until it is 3.5 years old differ in the different metropolitan municipalities. However, there is no statistical significant difference in terms of the age of the business which means that both the start-up and established business owners recognise that business support during its different phases is vital.

Based on the statistical significance found for the metropolitan municipality as independent variable, the differences between each possible pair of the metropolitan municipality groups are subsequently examined. Table 6.45 indicates the significantly different stratification group means at a specified level.

Table 6.45 Variables that show significant differences regarding the business phase support for the start-up / established business owners' group

Variable	N	Mean	Standard deviation
Metropolitan municipality			
City of Cape Town	57	3.97807018	0.79798952
Cities of Ekurhuleni, Johannesburg & Tshwane	228	4.29605263	0.69339695
City of eThekweni	40	3.82500000	0.87559504

The results in Table 6.45 show that there is a statistical significant difference between the metropolitan municipalities regarding business phase support. This result implies that the location of the start-up / established business owners does affect their standpoint on the need for specific business phase support. This support includes managing a new business until it is 3.5 years old as well as more than 3.5 years old and when the business is declining. The City of Cape Town (mean = 3.99) and the City of eThekweni (mean = 3.82) have the closest mean scores. The mean score for the remaining metropolitan municipalities is 4.30. These results mean that the City of Cape Town and the City of eThekweni tend to *agree* more with each other than with the cities of Ekurhuleni, Johannesburg and Tshwane regarding business phase support. However, the latter metropolitan municipalities regard business phase support as *more important* than the City of Cape Town and the City of eThekweni. Start-up and established business owners need to realise that they do not operate in isolation and that support is available throughout the life cycle of their business ventures.

6.8.4.4 THE KRUSKAL-WALLIS ONE-WAY ANALYSIS OF VARIANCE BY RANKS (TO SUPPORT HYPOTHESES 5, 6, 7 AND 8)

The previous tests reflected the viewpoint of the small business owners / entrepreneurs. The research problem indicates that there is an additional need to determine whether there were statistical significant differences between how the government officials and the businesses that they serve, view the small business policy in terms of their level of importance on business skills needed,

entrepreneurial skills needed and business phase support. The Kruskal-Wallis Test (Table 6.46) is used to determine statistical significant differences between the groups: government officials, start-up and established businesses in the metropolitan municipalities.

Table 6.46: Kruskal-Wallis Test results: Comparison of the start-up and established businesses with regard to their level of importance on business skills needed, entrepreneurial skills needed and business phase support

	Business skills needed	Entrepreneurial skills needed	Business phase support
Chi-Square	35.724	17.484	32.821
DF	2	2	2
Asymp. Sig	0.0001	0.0001	0.0001
Significance level	< 0.01	< 0.01	< 0.01

Table 6.46 illustrates that there is a statistical significant difference between the three groups of government officials, start-up and established business owners at the 1 % level of significance ($\alpha = 0.01$) with regard to:

- (1) Business skills needed ($p = 0.0001$)
- (2) Entrepreneurial skills needed ($p = 0.0001$)
- (3) Business phase support ($p = 0.0001$)

Furthermore, the mean ranks indicate that the start-up business owners tend to *agree* the most (mean rank = 199.48) with regard to the entrepreneurial skills needed than the established business owners (mean rank = 169.07). Government officials tend to *agree* the least (mean rank = 107.93). With regard to the business skills needed, start-up business owners tend to *agree* the most (mean rank = 196.59), followed by the established business owners (mean rank = 178.28) and the government officials (mean rank = 50.88). The scenario was the same with regard to the business phase support where the start-up business owners tend to *agree* the most (mean rank = 195.03). The established business owners (mean rank = 179.15) tend to *agree less* and the government officials tend to *agree the least* (mean rank = 56.00).

Table 6.46 confirms that the needs of businesses are viewed differently by the three groups. The findings mean that the needs that government addresses and the needs considered important by the start-up / established business owners are viewed differently. Moreover, the different types of skills are not acknowledged – namely, business and entrepreneurial skills. A business venture's needs change as it passes through the different phases in its life cycle. This phase should firstly be determined so that the appropriate support can be provided.

6.8.4.5 CROSS-TABULATION WITH AGE OF BUSINESS AND METROPOLITAN MUNICIPALITY

The needs of businesses are directly related to the number of years they have been in existence. For this purpose they have been grouped into start-up and established businesses.

Table 6.47 presents the results of the cross-tabulation with age of business and metropolitan municipality.

Table 6.47: Cross-tabulation with age of business and metropolitan municipality

	City of Cape Town	Cities of Ekurhuleni, Johannesburg & Tshwane	City of eThekweni	Chi-square (X^2)	p -value	Cramer's V
Start-up businesses	26.43 %	52.86 %	8.90 %	36.0478	< 0.0001*	0.3325
Established businesses	10.75 %	83.33 %	5.91 %			

As shown in Table 6.47, a Chi-square (X^2) value of 36.0478 and probability value of less than 0.0001 at a 1 % significance level indicate significant differences between metropolitan municipalities compared to the age of the business. Both start-up and established businesses located in the different provinces differ from each other.

Since the Chi-square statistic can only establish whether two variables are independent or not and does not show the strength of the association, the Cramer's V statistic is also presented above. The Cramer's V value of 0.3325 measures a relative low strength of association between the different pairs of business age and metropolitan municipality.

Therefore, the need for business skills, entrepreneurial skills and business phase support differs in the different metropolitan municipalities. However, there is no statistical significant difference in terms of the age of the business which means that both the start-up and established business owners considered the business skills, entrepreneurial skills and business phase support as necessities.

6.8.5 HYPOTHESIS 9

In this section the two groups: start-up and the established businesses had to rank when support is needed at each phase of the business. A ranking of one (1) meant that a business owner needed *most* of the support during the phase before the business is started and a ranking of five (5) meant that the same business owner needed the *least* amount of support during another phase (for example, during the start-up process). While Hypothesis 9 concentrated on the timing of business support, Hypotheses 5, 6, 7 and 8 highlighted the level of importance (*not important to extremely important*) regarding the need for business phase support by start-up and established businesses.

The Friedman Test was used to test Hypothesis 9. The following hypotheses were formulated to be tested statistically:

Null hypothesis (H₀):

There is no statistical significant difference with regard to the timing of when business support is needed:

1. *Within start-up businesses; and*
2. *Within established businesses.*

Alternative hypothesis (H_a):

There is a statistical significant difference with regard to the timing of when business support is needed:

1. *Within start-up businesses; and*
2. *Within established businesses.*

6.8.5.1 THE FRIEDMAN TWO-WAY ANOVA TEST WITHIN THE START-UP BUSINESSES GROUP

The results indicated a Friedman Test statistic of 82.79 and a p -value of 0.0001. This indicated that a statistical significant difference exist with regard to when business support is needed within the start-up businesses group. Subsequently, multiple comparisons were done to determine where specifically the differences are. With five groups, the critical z-values used are: 2.58 for an overall alpha of 0.10 and 2.81 for an overall alpha of 0.05. Table 6.48 illustrates the results of the Friedman Two-Way ANOVA Test within the start-up businesses group.

Table 6.48: Friedman Two-Way ANOVA Test results: Determining when business support is needed within the start-up businesses group

Phases of business support : Multiple comparisons			z-statistic
Before the business is started	–	During the start-up process	3.15**
Before the business is started	–	After the new business is established and is less than 3.5 years old	1.50
Before the business is started	–	When the established business is more than 3.5 years old	5.60**
Before the business is started	–	When the business is declining	2.48
During the start-up process	–	After the new business is established and is less than 3.5 years old	4.65**
During the start-up process	–	When the established business is more than 3.5 years old	8.75**
During the start-up process	–	When the business is declining	5.63**
After the new business is established and is less than 3.5 years old	–	When the established business is more than 3.5 years old	4.10**
After the new business is established and is less than 3.5 years old	–	When the business is declining	0.98
When the established business is more than 3.5 years old	–	When the business is declining	3.12**
**p-value: <0.0001 at a 99 % confidence level **Indicates differences between matched phases of business support.			

From Table 6.48 it can be deduced that there is no agreement in terms of when business support is needed within the group of start-up businesses. There are seven differences between the matched phases of business support and only three similarities. There is a disagreement regarding whether business support is needed before the business is started rather than during the start-up process ($z = 3.15$). This is the same scenario regarding whether business support is needed when the established business is more than 3.5 years old rather than when the business is declining in terms of sales, number of customers and profit ($z = 3.12$). There is consensus that business support is needed before the business is started rather than after the new business is established and is less than 3.5 years old ($z = 1.50$). This is also the scenario regarding business support that is needed before the business is started rather than when the business is declining ($z = 2.48$).

6.8.5.2 THE FRIEDMAN TWO-WAY ANOVA TEST WITHIN THE ESTABLISHED BUSINESSES GROUP

The results indicated a Friedman Test statistic of 58.59 and a p -value of 0.0001. This indicated that a statistical significant difference exist with regard to when business support is needed within the established businesses group. Subsequently, multiple comparisons were done to determine where specifically the differences are. With five groups, the critical z -values used are: 2.58 for an overall alpha of 0.10 and 2.81 for an overall alpha of 0.05. Table 6.49 illustrates the results of the Friedman Two-Way ANOVA Test within the start-up businesses.

Table 6.49: Friedman Two-Way ANOVA Test results: Determining when business support is needed within the established businesses group

Phases of business support : Multiple comparisons			z-statistic
Before the business is started	–	During the start-up process	0.83
Before the business is started	–	After the new business is established and is less than 3.5 years old	2.30
Before the business is started	–	When the established business is more than 3.5 years old	5.47**
Before the business is started	–	When the business is declining	4.34**
During the start-up process	–	After the new business is established and is less than 3.5 years old	3.13**
During the start-up process	–	When the established business is more than 3.5 years old	6.30**
During the start-up process	–	When the business is declining	5.17**
After the new business is established and is less than 3.5 years old	–	When the established business is more than 3.5 years old	3.17**
After the new business is established and is less than 3.5 years old	–	When the business is declining	2.04
When the established business is more than 3.5 years old	–	When the business is declining	1.13
**p-value: <0.0001 at a 99 % confidence level **Indicates differences between matched phases of business support.			

From Table 6.49 it can be deduced that there is no agreement in terms of when business support is needed within the group of established businesses. There are six differences between the matched phases of support and four similarities. The established business owners agreed that support is needed before the business is started rather than during the start-up process ($z = 0.83$). The response is the same regarding business support after the new business is established and is less than 3.5 years old rather than when the business is declining ($z = 2.04$). There is disagreement whether business support is needed during the start-up process rather than when the business is declining ($z = 4.34$). Another disagreement is whether business support is needed before the business is started rather than when the established business is more than 3.5 years old ($z = 5.47$).

Even though there are differences within the start-up and established businesses with regard to when business support is needed, the two groups are more or less the same when compared with each other. There are slightly more differences within the start-up businesses group which mean that support is varied especially when the business venture is not 3.5 years old yet. Government should take cognisance of this and make different types of assistance and support available to these businesses.

6.8.8 HYPOTHESIS 10

The hypothesis determines if there is a significant relationship between the different small business policy evaluation factors and the needs factors from the government's point of view. This is important because the suppliers (government) of support services need to match the expectations of the business owners that demand these support services. The following hypotheses were formulated:

Null hypothesis (H10₀):

There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group.

Alternative hypothesis (H10_a):

There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group.

6.8.8.1 RESULTS OF HYPOTHESIS 10

Pearson correlation coefficients were conducted to determine whether there is a relationship between the six factors for the government group.

Table 6.50 shows the government officials' correlation between small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support.

Table 6.50: Government officials’ correlation between small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support

	Objectives		Outputs		Outcomes		Business skills		Entrepreneurial skills		Business phase support	
	r	p	r	p	r	p	r	p	r	p	r	p
Objectives	1.000											
Outputs	0.249	0.252	1.000									
Outcomes	0.618	0.001	0.505	0.014	1.000							
Business skills	0.322	0.166	0.292	0.211	0.0348	0.884	1.000					
Entrepreneurial skills	0.674	0.001	0.404	0.077	0.294	0.209	0.779	<0.0001	1.000			
Business phase support	0.453	0.045	-0.017	0.943	0.114	0.633	0.565	0.0095	0.530	0.016	1.000	

From the results in Table 6.50 the following can be summarised:

There are strong correlations (r-value is closer to 1) between:	There are weak correlations (r-value is closer to 0 or equals 0) between:
<ul style="list-style-type: none"> • Objectives and outcomes: • Objectives and entrepreneurial skills • Business skills and entrepreneurial skills • Business skills and business phase support • Entrepreneurial skills and business phase support 	<ul style="list-style-type: none"> • Objectives and outputs • Outputs and outcomes • Objectives and business skills • Objectives and business phase support • Outputs and business skills • Outputs and entrepreneurial skills • Outputs and business phase support • Outcomes and business skills • Outcomes and entrepreneurial skills • Outcomes and business phase support

The number of weak correlations is more than the number of strong correlations. There is a strong correlation between the objectives of the small business policy and the entrepreneurial skills needed (r-value = 0.618). This is the only strong correlation between the elements of the small business policy and the needs of the business owners. The remaining correlations are between the objectives and outcomes; and between the different business needs which are not crucial for this hypothesis. This means that for the government, the correlation between the small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support is more weak than strong.

6.8.9 HYPOTHESIS 11

This hypothesis determines whether there is a significant relationship between the different small business policy evaluation factors and the needs factors from the start-up / established business owners' point of view. It is important to know whether the business owners can relate the small business policy objectives, outputs and outcomes to their business needs. The following hypotheses were formulated:

Null hypothesis (H11₀):

There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group.

Alternative hypothesis (H11_a):

There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group.

6.8.9.1 RESULTS OF HYPOTHESIS 11

Pearson correlation coefficients were conducted to determine whether there is a relationship between the six factors for the start-up / established business owners' group. Table 6.51 shows the start-up / established business owners' correlation between small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support.

Table 6.51: Start-up / established business owners' correlation between small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support

	Objectives		Outputs		Outcomes		Business skills		Entrepreneurial skills		Business phase support	
	r	p	r	p	r	p	r	p	r	p	r	p
Objectives	1.000											
Outputs	0.669	<0.0001	1.000									
Outcomes	0.671	<0.0001	0.635	<0.0001	1.000							
Business skills	0.201	0.0002	0.122	0.029	0.147	0.007	1.000					
Entrepreneurial skills	0.342	<0.0001	0.249	<0.0001	0.242	<0.0001	0.529	<0.0001	1.000			
Business phase support	0.1415	0.0095	0.050	0.371	0.050	0.369	0.587	<0.0001	0.588	<0.0001	1.000	

From the results of Table 6.51 the following can be summarised:

There are strong correlations (r-value is closer to 1) between:	There are weak correlations (r-value is closer to 0 or equals 0) between:
<ul style="list-style-type: none"> • Objectives and outputs • Objectives and outcomes • Outputs and outcomes • Business skills and entrepreneurial skills • Business skills and business phase support • Entrepreneurial skills and business phase support 	<ul style="list-style-type: none"> • Objectives and business skills • Objectives and entrepreneurial skills • Objectives and business phase support • Outputs and business skills • Outputs and entrepreneurial skills • Outputs and business phase support • Outcomes and business skills • Outcomes and entrepreneurial skills • Outcomes and business phase support

The number of weak correlations outweighs the number of strong correlations. None of the strong correlations include elements from the small business policy that relates to the different business needs. For example the objectives of the small business policy correlate with the outputs thereof (r-value = 0.669). There is a weak correlation between the objectives of the small business policy and the business skills needed (r-value = 0.201) as well as with the entrepreneurial skills needed (r-value = 0.342). This means that for the start-up / established business owners, the correlation between the small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support is more weak than strong.

For both the government officials and the start-up / established business owners, there is weak correlation between the small business policy objectives' outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support.

6.9 GENERAL COMMENTS BY RESPONDENTS

The final section of the questionnaire required the respondents to indicate whether or not they are familiar with the entrepreneurship policy. They also had to answer an open-ended question about how an entrepreneurship policy will differ from the current small business policy.

Many of the respondents are not familiar with the concept or the term “entrepreneurship policy”. This tends to be the phenomenon with some emerging economies as well as the African countries where it is considered to be a fairly recent field of study (UNCTAD, 2012:1). With regard to the second question, almost half of the government officials did not even attempt to answer the question. This demonstrates that they recognise their lack of knowledge regarding entrepreneurship policy as well as the difference between a small business policy and an entrepreneurship policy. Of the remaining government officials, eight managed to correctly identify the difference between the two policies. This is enlightening to know that some government officials are well informed to make a valuable contribution to the field of entrepreneurship and small business development in South Africa.

About 186 start-up / established business owners did not attempt to answer the second question. Thirty of the respondents (19.48 %) know the difference between the two policies while 44.16 % tried to distinguish between the two but was not successful. At least 29.22 % indicated that they are not sure. Therefore, there is room for improving and educating government officials, entrepreneurs and small business owners about the objectives, outputs, outcomes and impact of both small business and entrepreneurship policies so that they can realise its opportunities and benefits.

6.10 CONCLUSION

Throughout this chapter relevant information was obtained and explained. The findings of the empirical study were presented in tabular and figure format, and were organised according to the descriptive statistics (including the demographics and factor analysis) and inferential statistics. Various statistical techniques and

methods were identified and discussed in Chapter 5 (Research design and Methodology of the study) with the aim of practically applying it in Chapter 6.

The personal demographic information of the respondents (government officials and start-up / established business owners) was presented as well as the demographics of the government officials' clients and the business demographic information. The government officials had to rate the support services they provide and the start-up / established business owners had to rate how important these support services are in addressing their needs. Both groups of respondents also had to evaluate the small business policy based on its objectives, outputs, outcomes and impact.

Factor analysis confirmed **three factors related to the support services** (namely, **business skills needed, entrepreneurial skills needed support and business phase support**). Three more factors were also generated (namely, **objectives, outputs and outcomes of the small business policy**). The factor analysis indicated relatively high construct validity of the measuring instruments as evidenced by the high Cronbach alphas.

The factors that emerged from the factor analysis were used in the inferential statistical analyses, including the Chi-square Test, One-Way ANOVA and Kruskal-Wallis Test to present the statistical differences between the government officials and the start-up / established business owners. Important statistical findings were presented highlighting significant relationships, and other critical statistical values such as means and standard deviations. The statistical analysis proved both the existence and direction of relationships.

For Chapter 7 the most critical findings will be used as the basis for conclusions, recommendations and suggestions for further research. The limitations of this study will also be discussed. The research objectives and eleven hypotheses of the study will be revisited.

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

Entrepreneurship policy is a much more recent phenomenon than the more developed small business policy. Many countries may not, as yet, have directed their attention towards entrepreneurship as a policy domain (UNCTAD, 2012:1). This study endeavoured to explore both small business and entrepreneurship policies to identify their **similarities** and **differences**. South Africa's small business sector and policy were analysed and evaluated to determine why it has not produced the number of business ventures and entrepreneurs desperately needed and expected by society. Entrepreneurship policy was examined to ascertain how it can address the gaps left by the small business policy. It is of little concern either to the taxpayer or to the start-up / established business owner which policy, agency, institution or department of government delivers a service. What is of concern is whether the right service is provided and whether such service satisfactorily addresses the needs of the beneficiaries.

In the previous chapter the research findings of the study were analysed and discussed. This chapter provides an overview of the literature study, while the research objectives and hypotheses are revisited and interpreted. The hypotheses are consequently accepted or rejected based on the statistical techniques executed in Chapter 6. The contribution and limitations of the study are stated. Recommendations and opportunities for future research into this field are outlined. The chapter ends with a summary and conclusion.

7.2 OVERVIEW OF THE LITERATURE STUDY

The literature review was covered from Chapters 2 to 4. It provided the foundation for the empirical part of this study. The literature shaped and structured the research objectives. Additionally, it assisted the researcher in particular to structure the measuring instruments (Annexures A and B).

The study started with a discussion on the importance of small business and entrepreneurship to the government of South Africa. The literature review highlighted that there are clear differences between small business and entrepreneurial ventures. In this study the two groups were distinguished by the age of business and it is defined as a start-up when the business venture has been in operation for less than 3.5 years and established when the business venture has been in operation for more than 3.5 years. Therefore, different methods of development and support are required to address their needs. Table 7.1 presents the unique differences between the needs of the small business and entrepreneurial venture owners. Specified and targeted policies are suggested to be more effective in terms of supporting the different needs of business ventures. The purpose of the study was introduced – namely, to evaluate the national small business policy and to determine its shortcomings. An entrepreneurship policy was identified as a possible alternative to address the gaps left by the small business policy.

The two concepts “small business” and “entrepreneurship” were defined in Chapter 2. Possible small business criteria such as the number of employees who are employed in the business and the different categories of enterprises were briefly discussed. Small businesses and entrepreneurial ventures were compared to identify the distinguishing characteristics between them. Innovation, growth and strategic objectives were mostly cited as the distinguishing characteristics (refer to Table 2.2). A content analysis was conducted on small business and entrepreneurship policies in terms of its aims and objectives, main activities and outcomes. The differences between these two policies were examined. The main differences are the focus on individuals versus business ventures; pre-start-up versus post-start-up support; and a broad versus narrow definition of which institutional structures constitute the support environment. Table 7.2 provides a summary of these differences.

Table 7.1: Differences between the needs of small business and entrepreneurial venture owners

Aspect	Needs of small business owners	Needs of entrepreneurial venture owners
Support	General support to maintain / manage the business	Individualistic support for the owner
Funds (finances)	Access to funds to cover the operating costs and expenses of the business	Access to funds to increase assets, grow and expand the existing venture
Markets	Assistance to serve current markets profitably	Assistance to find new markets not exploited before
Employees	Assistance to deal with a steady number of employees	Assistance to deal with a growing employee base, for example, by outsourcing the business function
Customers	Assistance in maintaining the present customer profile	Assistance in managing the expanding customer base
Product / service	Assistance to maintain product / service competitiveness (gaining competitive advantage)	Assistance with new product / service innovation
Cash flow	Skills to manage the cash flow	Skills to deal with cash flow problems due to expansion
Planning and controlling	Skills to plan and control the business to be stable	Skills to plan and control the growth of the business
Risks	Skills to manage the low risks associated with a small business	Skills to manage high risks as the business grows
Customer needs	Skills to satisfy customer needs	Skills to be responsive to changing customer needs
Source: Own compilation.		

Table 7.2: Summary of differences between small business policy and entrepreneurship policy

Small business policy	Entrepreneurship policy	References
Focus on firms Focus on post-start-up support Business development A narrow definition of which institutional structures constitutes the 'support environment'.	Focus on individuals Focus on pre-start-up support Entrepreneurship development A broad definition of which institutional structures constitutes the 'support environment'	Lundström and Stevenson (2001:43)
Implemented at federal level	Implemented at all levels of government	Gilbert <i>et al.</i> (2004:1)
Inflexible and insensitive to complex business contexts Insensitive to the entrepreneur's and manager's capabilities, experience and identity Do not understand aims, objectives and motivations of entrepreneurs and managers	More flexible and sensitive to complex business contexts Sensitive to the entrepreneur's and manager's capabilities, experience and identity Understand aims, objectives and motivations of entrepreneurs and managers	Thorpe <i>et al.</i> (2005:257)
Narrow focus Focus on existing SMEs SMEs have agencies and ministries that champion their issues Primarily concerned with one organizational level – the enterprise	Broad focus Focus on potential entrepreneurs as well as the existing SMEs No equivalent agencies and ministries exist for entrepreneurship policy Encompasses multiple units of organisation and analysis	Audretsch (2005:32)
Source: Own compilation.		

This study focused exclusively on South Africa's small business sector and policy. The background on the country's national economy, global competitiveness ranking and the business environment were provided in Chapter 3. A myriad of major barriers facing the small business sector was identified. These barriers mainly relate to the legal and regulatory environment, access to markets, finance, limited business skills and business premises (refer to Table 3.1). The three strategies entailing South Africa's small business policy were synthesised in an attempt to identify commonalities as well as differences in the elements between them. Comparing the primary objectives of the three strategies it was concluded that the government's aim has slightly changed. It started off in 1995 with wanting to create an enabling environment, and then in 2005 moved to addressing the needs of small enterprises and fostering entrepreneurship. It seems as if though government was able to determine that an enabling environment is not the only key factor in stimulating small business development. Table 7.3 illustrates the comparison between the three strategies.

Herrington *et al.* (2010:44) report that Gauteng, KwaZulu-Natal and the Western Cape together account for two-thirds of early-stage entrepreneurial activity in South Africa. The small business policies of these three selected provinces Gauteng, Western Cape and KwaZulu-Natal were also summarised and compared. It was deduced that each province has its own interpretation of the country's national small business policy since its objectives are vastly different from each other (refer to Table 3.5).

Even the best developed policies can and do fail, if they are not closely monitored and appropriately evaluated. In the first section of Chapter 4, evaluation and monitoring in the public policy context were defined and discussed. The key monitoring and evaluation concepts – namely, inputs, outputs, outcomes and impacts were identified and described (refer to Table 4.1). This was followed by an explanation of the principles and key considerations necessary to evaluate a small business policy. Key considerations include the data collections' mechanisms, time frame and the evaluation focus. Before providing more insight into the need for an entrepreneurship policy, South Africa's small business policy was evaluated by also taking into account the current state of entrepreneurship.

Table 7.3: Comparing the three strategies entailing South Africa’s small business policy

	National strategy for the development and promotion of small business	Integrated Small Enterprise Development Strategy	Integrated Strategy on the promotion of entrepreneurship and small enterprises
Primary objective	Create an enabling environment for small enterprises.	Address the needs of micro-enterprises, small enterprises in high-growth sectors , and small enterprises owned and managed by historically disadvantaged individuals – namely, black people, women, the youth and the disabled.	Ensure that the overall task of fostering entrepreneurship and promoting small enterprises is carried out adequately and effectively.
Secondary objectives	<ul style="list-style-type: none"> • Facilitate greater education of income, wealth and earning opportunities. • Address the legacy of apartheid-based disempowerment of black business. • Support the advancement of women in all business sectors. • Create long-term jobs. • Stimulate sector-focused economic growth. • Strengthen cohesion between enterprises. 	<ul style="list-style-type: none"> • Increase the contribution of small enterprises to the growth of the South African economy. • Create an enabling environment for small enterprises. • Create sustainable long-term jobs in the small enterprise sector. • Ensure equitable access and participation in terms of race, gender, disability, age, geographical location and sector. • Increase the competitiveness of the small-enterprise sector and its enabling environment. 	<ul style="list-style-type: none"> • Ensure integration and improved co-ordination. • Encourage increased private sector participation. • Ensure action across the entire entrepreneurship continuum. • Focus on specific target groups, regions and priority sectors.

	National strategy for the development and promotion of small business	Integrated Small Enterprise Development Strategy	Integrated Strategy on the promotion of entrepreneurship and small enterprises
Activities	<ul style="list-style-type: none"> • Create an enabling legal framework. • Streamline regulatory conditions. • Provide access to information and service. • Marketing and procurement. • Appropriate technology and finance. • Develop the physical infrastructure. • Develop industrial relations & labour environment. • Provide training in entrepreneurship, skills and management. • Capacity building and institutional strengthening. • Provide differential taxation and other financial incentives. 	<ul style="list-style-type: none"> • Integrate a wider group of institutions to provide access to support and development services. • A more co-operative approach of government towards its partners in the public and private sectors was introduced. 	<ul style="list-style-type: none"> • Increase the supply for financial and non-financial support services. • Create a demand for small enterprise products and services. • Reduce small enterprise regulatory constraints.
Outputs & Outcomes	<ul style="list-style-type: none"> • Foundation of small business support services. • Establishment of SEDA (previously Ntsika). • Establishment of Khula. • Policy coordination improved. 	<ul style="list-style-type: none"> • Establishment of SEDA to localise support. • Establishment of SAMAF. • More focused approached by Khula. 	<ul style="list-style-type: none"> • Foster an entrepreneurship culture and increase the enterprise creation rate. • Establish a dedicated network of SMME finance. • Demand created for small enterprise products and services. • Strengthening local network for small business development support services. • Improve small enterprise competencies and delivery capacity. • Strengthen enterprise networks. • Provide necessary support incentives. • Improve regulatory environment. • Entrepreneurship and small business research.

Source: Own compilation.

A number of shortcomings were identified – namely, that the small business policy has not created effective support to help start-up and established business owners to grow their businesses (refer to Table 4.4). In Table 7.4 it is illustrated how an entrepreneurship policy can make a difference to South Africa’s entrepreneurial activity by addressing the shortcomings of the small business policy.

In summary, this study acknowledges that both start-up and established businesses are operating in South Africa. These two types of businesses are distinguished according to the number of years in operation. It was determined that start-up and established businesses can either turn into a small business or entrepreneurial venture depending on the nature of support provided. Both the diversity of common needs and the different unique needs of a small business and entrepreneurial venture were explored and referred to in the research objectives and hypotheses. A table of these differences was compiled from various sources to better understand the kinds of support services and assistance that government should provide to meet these distinguishing needs when businesses are new as well as when it become established later on.

Public policy is one of the instruments that government can manipulate in their attempts to stimulate entrepreneurial activity and create an entrepreneurial environment for start-up and established businesses. However, the policy environment tends to be complex. Therefore, the small business policy as well as the entrepreneurship policy had to be analysed first to make sense of their different elements and to understand their intricacies. By comparing these policies, it was possible to identify and summarise the differences between them which are valuable to small business and entrepreneurship development. From the literature review, a list of shortcomings of South Africa’s small business policy was compiled which could be addressed by an entrepreneurship policy. Even comparing the provincial small business policies highlighted the different interpretations of the national small business policy. The regional context definitely plays a role in the level of entrepreneurial activity. The study’s literature review makes various contributions to the fields of small business, entrepreneurship and the policy environment as well as to policy makers who can use the information to design and develop more effective and efficient strategies to the advantage of start-up and established business owners.

Table 7.4: Determining the need for an entrepreneurship policy

SHORTCOMINGS OF THE SMALL BUSINESS POLICY	HOW AN ENTREPRENEURSHIP POLICY ADDRESSES THE SHORTCOMINGS
1. Policy has done little to create effective support agencies to help business owners start up and grow their businesses.	<ul style="list-style-type: none"> • Formulating national entrepreneurship strategy
2. Government's support architecture is viewed as clumsy and confusing to business owners and public servants alike.	
3. No measurement of the impact of government agencies.	
4. Lack of co-ordination of available government support services.	
5. Inefficient government bureaucracy.	<ul style="list-style-type: none"> • Optimising the regulatory environment
6. Restrictive labour regulations.	
7. Lack of access to entrepreneurship skills.	<ul style="list-style-type: none"> • Enhancing entrepreneurship education and skills
8. Lack of access to practical business skills.	
9. The quality of entrepreneurship education and training is not up to standard.	
10. The human factor, especially entrepreneurial intentions and behaviour, is not addressed.	
11. Many South Africans do not regard entrepreneurship as a positive and viable career choice.	<ul style="list-style-type: none"> • Promoting awareness and networking
12. Entrepreneurial activity is not understood as a social utility in its own right.	
13. An awareness of many government support schemes remains low.	
Source: Own compilation.	

7.3 RESEARCH OBJECTIVES REVISITED

The primary and secondary objectives of the study are revisited and presented below.

7.3.1 PRIMARY OBJECTIVE REVISITED

The primary objective of the study was to evaluate the small business policy in South Africa to determine the need for and nature of an entrepreneurship policy. The primary objective comprised a number of parts, which formed the secondary objectives.

7.3.2 SECONDARY OBJECTIVES REVISITED

From the primary objective, the researcher formulated the secondary objectives of the study which were to:

- Determine whether the **age** of a business has an effect on the level of agreement with respect to the **objectives, outputs and outcomes** of the small business policy;
- Determine whether the **metropolitan municipality** (in which a business venture is located) has an effect on the level of agreement with respect to the **objectives, outputs and outcomes** of the small business policy;
- Determine whether there exists a statistical significant difference between **start-up and established businesses** with regard to their views on the **impact** of the small business policy;
- Determine whether there exists a statistical significant difference between start-up and established businesses located in the selected **metropolitan municipalities** in the three provinces with regard to their views on the **impact** of the small business policy;
- Determine whether the **age** of a business has an effect on the level of importance of **established business owners' needs**;
- Determine whether the selected **metropolitan municipality** (in which the business venture is located) of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) has an effect on the level of importance of **established business owners' needs**;

- Determine whether the **age** of a business has an effect on the level of importance of **start-up business owners' needs**;
- Determine whether the selected **metropolitan municipality** (in which the business venture is located) of the City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg and City of Tshwane (Pretoria) has an effect on the level of importance of **start-up business owners' needs**;
- Determine whether there exists a statistically significant difference with regard to the **timing of when business support is needed** within start-up businesses and established businesses;
- Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) **for the government**; and
- Determine whether there exists a significant relationship between each combination of the six factors (between small business policy elements and business support needed) **for the start-up / established business owners**.

7.4 HYPOTHESES REVISITED

The study performed hypothesis testing in order to accept or reject the null or alternative hypotheses. All eleven (11) hypotheses developed in Chapter 1 were supported by the literature but needed to be tested statistically and then either accepted or rejected, based on the findings and the levels of significance. If the probability of the occurrence of the observed data was smaller than the level of significance, then the data would suggest that the null hypothesis should be rejected.

The eleven (11) hypotheses below were tested utilising the descriptive and inferential statistics.

7.4.1 HYPOTHESES 1 AND 2 TESTING

Hypotheses 1 and 2 will be discussed together because the small business policy elements were addressed in the same question in both measuring instruments.

<p>Null hypothesis (H1₀):</p> <p>The age of a business does not have an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>	<p>Alternative hypothesis (H1_a):</p> <p>The age of a business has an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>
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<p>Null hypothesis (H2₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>	<p>Alternative hypothesis (H2_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>
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Objectives, inputs, activities, outputs, outcomes and impact are key policy monitoring and evaluation concepts (Ile *et al.*, 2012:83; The Presidency, 2007:2; OECD, 2007:24; Policy Hub, 2010:3). The small business policy was evaluated on the basis of objectives, output, outcome and impact. It is not the focus of this study to explore the activities and inputs as such.

The literature revealed that the main objective of a small business policy is to focus on business ventures and its growth whereas an entrepreneurship policy motivates more new entrepreneurs to start businesses (Lundström & Stevenson, 2005:53; Stevenson & Lundström, 2007:105). The outputs, outcomes and impact (refer to Table 3.3) are derived from the three strategies entailing South Africa's small business policy (dti, 2005a:38).

From the descriptive analysis the data from the two research samples (government officials and start-up / established business owners) revealed some

of the following findings regarding the evaluation of the objectives, outputs and outcomes of South Africa's small business policy:

GOVERNMENT OFFICIALS	START-UP / ESTABLISHED BUSINESS OWNERS
<p>Eleven (11) government officials (47.82 %) <i>probably agreed</i> and ten (10) respondents (43.48%) <i>definitely agreed</i> that the small business policy aims to assist with business venture growth.</p> <p>With regards to the objective of government to motivate more new entrepreneurs to start businesses, together more than half (17) of the government officials <i>agreed</i> of which seven (7) respondents (30.43 %) <i>probably agreed</i> and ten (10) respondents (43.48 %) <i>definitely agreed</i>.</p>	<p>Collectively 234 start-up / established business owners (69.85 %) <i>probably agreed</i> and <i>definitely agreed</i> with the objective that government assists with business venture growth.</p> <p>Two hundred and twenty (220) respondents (66.26 %) <i>probably agreed</i> and <i>definitely agreed</i> with the objective that measures to support the early phases of the entrepreneurial development process are being favoured and 64 respondents (19.27 %) <i>definitely disagreed</i> and <i>probably disagreed</i>.</p>
<p>Fourteen (14) government officials (57.86 %) <i>definitely disagreed</i> and <i>probably disagreed</i> that support reaches all the regions of the country while seven (7) respondents (30.43 %) <i>probably agreed</i> and <i>definitely agreed</i> as indicated.</p> <p>Twelve (12) government officials (52.17 %) <i>probably agreed</i> and <i>definitely agreed</i> about the necessary support incentives that are provided to business owners. A total of 11 respondents (47.82 %) <i>definitely disagreed</i> and <i>probably disagreed</i>.</p> <p>Approximately 14 of the respondents (60.87 %) <i>probably agreed</i> and <i>definitely agreed</i> that a dedicated network of SMME finance has been established, while the remaining nine (9) respondents <i>definitely disagreed</i> and <i>probably disagreed</i> (39.13 %).</p>	<p>A total of 163 start-up / established business owners (49.09 %) <i>probably agreed</i> and <i>definitely agreed</i> that support reaches all the regions of the country. Forty-eight (48) of the respondents (14.46 %) <i>did not even know</i> about the available local support.</p> <p>Almost 50 % of the respondents (162) <i>probably agreed</i> and <i>definitely agreed</i> that the necessary support incentives are provided.</p> <p>It was indicated by 81 respondents (24.85 %) that they <i>probably agreed</i> that a dedicated network of SMME finance has been established.</p>
<p>Twelve (12) respondents (52.17 %) <i>probably agreed</i> that a demand has been created for small enterprise products and services.</p> <p>Ten (10) government officials (43.48 %) <i>probably disagreed</i> and two (2) <i>definitely disagreed</i> that the regulatory environment has improved.</p> <p>Although more than half (15) of the respondents (65.22 %) <i>probably agreed</i> and <i>definitely agreed</i> that the number of start-ups has increased, collectively 16 respondents (69.56 %) <i>definitely disagreed</i> and <i>probably disagreed</i> that the number of start-up obstacles has decreased.</p>	<p>A total of 215 respondents (64.96 %) <i>probably agreed</i> and <i>definitely agreed</i> that a demand has been created for small enterprise products and services.</p> <p>Sixty-one (61) start-up / established business owners (18.54 %) indicated that they <i>do not know</i> whether the regulatory environment has improved whereas 185 respondents (56.23 %) <i>probably agreed</i> and <i>definitely agreed</i> that it has improved.</p> <p>A staggering total of 241 respondents (73.70 %) <i>probably agreed</i> and <i>definitely agreed</i> that the number of business start-ups has increased.</p>

Overall, both the different government officials and start-up / established business owners have opposing standpoints regarding the objectives, outputs and outcomes of the small business policy. Some respondents were more positively optimistic than others about South Africa's small business policy and the enabling environment. Decision Criteria (see Table 6.17) were developed to compare the government officials and start-up / established business owners' responses regarding the small business objectives, outputs and outcomes to determine **similarities** and **differences** between the two groups (see Table 6.18). With regards to the objectives, both groups *probably agreed* and *definitely agreed* with most of the objectives while the minority of responses *definitely disagreed* and *probably disagreed*. There is a disagreement between the two groups regarding the output labelled as support of government reaching all regions in the country. Many of the government officials (60.87 %) *disagreed* while only 36.45 % of the start-up / established business owners *disagreed*. Most of the differences exist between the outcomes of the two groups. These differences relate to the regulatory environment and the entrepreneurship culture that has been fostered.

Factor analysis and Cronbach's alpha (refer to Section 6.7) resulted in three acceptable factors to increase the validity and reliability of the measuring instrument. **Factor 1** was labelled 'objectives of small business policy'. The Eigen value for this factor is 4.60634, the Cronbach alpha value is 0.8569 and this factor explained 41.08 % of the variance in data. This is an indication of the validity of individual variables. **Factor 2** was labelled 'outputs of small business policy'. The Eigen value for this factor is 2.37948, the Cronbach alpha value is 0.8691 and this factor explained 69.97 % of the variance in data. **Factor 3** was labelled 'outcomes of small business policy'. The Eigen value for this factor is 4.62387, the Cronbach alpha value is 0.8804 and this factor explained 45.46 % of the variance in data.

One-Way ANOVA Test (refer to Tables 6.25, 6.28 and 6.31) found three statistical significant differences. The first significant finding involved the variables 'age of business' and 'metropolitan municipality' and the factor 'objectives of small business policy'. Using a significance level of 1 % ($\alpha = 0.01$) the results show that only the metropolitan municipality variable has a statistical significant effect with regard to the level of agreement on the objectives of the small business policy. The age of the business ($p = 0.4661$) has no statistical significant difference. The

second significant finding involved the variables 'age of business' and 'metropolitan municipality' and the factor 'outputs of small business policy'. Using a significance level of 1 % ($\alpha = 0.01$), the results show that a metropolitan municipality single handedly has a statistical significant effect with regard to the level of agreement on the outputs of the small business policy. Age of the business ($p = 0.3280$) has no statistical significant effect with regard to the level of agreement on the outputs of the small business policy. The third significant finding involved the variables 'age of business' and 'metropolitan municipality' and the factor 'outcomes of small business policy'. Using a significance level of 5 % ($\alpha = 0.05$) the results show that only a metropolitan municipality has a statistical significant effect with regard to the level of agreement on the outcomes of the small business policy. Age of the business ($p = 0.0597$) has no statistical significant effect with regard to the level of agreement on the outcomes of the small business policy.

It can therefore be concluded that there are statistical significant differences between the metropolitan municipalities but not the age of the business regarding the set objectives, outputs and outcomes of the small business policy. This result implies that the government's objectives, outputs and outcomes that they envisage the start-up / established business owners to benefit from are not considered to be all relevant and crucial by the latter for their business ventures' survival, growth and success.

The Kruskal-Wallis Test (refer to Table 6.33) found three statistical significant differences regarding the three factors (objectives, outputs and outcomes of the small business policy) involving the three groups – namely, the government officials, start-up and established businesses. According to the p -values there is a statistical significant difference between the groups of government officials, start-up and established business owners at the 1 % level of significance ($\alpha = 0.01$) with regard to the outcomes ($p = 0.0001$); and at the 5 % level of significance with regard to the objectives ($p = 0.0006$) and outputs ($p = 0.0016$). These results uphold the One-Way ANOVA findings which prove that the small business policy is viewed differently by the three groups when it is in fact supposed to be in line with each other's expectations. The results imply that there is no correlation between

the supply and demand for small business services. Government officials are not providing the services that start-up / established business owners require.

The objectives, outputs and outcomes of the small business policy are viewed and interpreted differently in the different provinces and therefore in the different metropolitan municipalities. This means that start-up and established business owners have different expectations of government support services depending on their location. This is also due to the different opportunities and challenges which are present in the regional business context and environment. The age of the business does not play a role with the start-up and established business owners with regard to their viewpoints of the objectives of the small business policy. Both start-up and established business owners expect similar outputs and outcomes to assist with their business endeavours irrespective of the age of the business venture. Therefore, the small business policy needs to be adjusted to take into account these results.

Based on the tests conducted and the empirical results achieved:

H1: the null hypothesis is accepted and the alternative hypothesis is rejected.

H2: the null hypothesis is rejected and the alternative hypothesis is accepted.

Small business policy consists of objectives, outputs, outcomes and impact. Hypotheses 1 and 2 focused on the objectives, outputs and outcomes. Hypotheses 3 and 4 will focus specifically on the evaluation of the impact of the small business policy.

7.4.2 HYPOTHESIS 3 TESTING

The evaluation of the impact of the small business policy was conducted through the formulation of the following hypotheses to be tested statistically:

Null hypothesis (H₃₀):	Alternative hypothesis (H_{3a}):
<p>There exists no statistical significant difference between the start-up and established business owners with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased. 	<p>There exists a statistical significant difference between start-ups and established business owners with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased.

The Mann-Whitney U Test is used to determine statistical significant differences between the groups: start-up and established businesses with regard to their views on the impact of the small business policy. According to the p -values there is a statistical significant difference between the start-up businesses and established businesses at the 1 % level of significance ($\alpha = 0.01$) with regard to jobs that have been created, resulting in a reduced unemployment rate ($p = 0.0001$) and economic growth of the country has increased ($p = 0.0001$). This means that the two groups of start-up and established businesses have different views regarding the impact of the small business policy. A possible reason may be that start-up businesses first have to focus on setting up, managing and growing their ventures. Job creation and economic growth may be the aim of government, but it is certainly not considered to be the initial key focus of start-up businesses. Established businesses may be able to concentrate more on job creation and making a contribution towards the economy because they have been in operation longer. Therefore, government should keep in mind that start-up businesses as well as established businesses need support services that will address their specific needs which can ultimately result in jobs and economic development.

Based on the tests conducted and the empirical results achieved:

H3: the null hypothesis is rejected and the alternative hypothesis is accepted.

7.4.3 HYPOTHESIS 4 TESTING

The evaluation of the impact of the small business policy between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces was conducted through the formulation of the following hypothesis to be tested statistically:

Null hypothesis (H₀):	Alternative hypothesis (H_a):
<p>There exists no statistical significant difference between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased. 	<p>There exists a statistical significant difference between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p> <ol style="list-style-type: none"> 1. Jobs have been created, resulting in a reduced unemployment rate; and 2. Economic growth of the country has increased.

The Kruskal-Wallis Test is used to determine statistical significant differences between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy. According to the p -values there is a statistical significant difference between the groups of start-up and established business owners located in the selected metropolitan municipalities at the 1 % level of significance ($\alpha = 0.01$) with regard to jobs that have been created, resulting in a reduced unemployment rate ($p = 0.0001$) and economic growth of the country has increased ($p = 0.0001$). This means that the location of the start-up and established businesses influences their viewpoints regarding the impacts of the small business policy. The unemployment rate is not the same across the different provinces which may play a role in how intense entrepreneurial activities will be pursued. Therefore, government has to consider these differences in location in mind when designing and improving policy.

The mean scores and standard deviations (refer to Table 6.36) for the job creation impact is rated *highest* by the start-up businesses which state that they tend *not know* to whether the impact has indeed been realised. Regarding the second impact, the start-up businesses (mean = 3.60) tend to *probably agree* and established businesses (mean = 3.09) tend *not to know* whether the economic growth rate has increased. The government officials *probably disagreed* (mean = 2.78). This means that government should put more accurate measures in place to determine effectively whether the small business policy has delivered the desired impacts.

Based on the tests conducted and the empirical results achieved:

H4: the null hypothesis is rejected and the alternative hypothesis is accepted.

The next section will discuss the inferential statistics to support Hypotheses 5, 6, 7 and 8. The hypotheses will be discussed collectively because it entails the variable of needs in terms of the start-up and established business owners.

7.4.4 HYPOTHESES 5, 6, 7 AND 8 TESTING

An evaluation of the small business policy was executed to determine whether it addresses the needs of start-up and established business owners. The evaluation of the small business policy was conducted through the formulation of the following hypotheses to be tested statistically:

Null hypothesis (H5₀):	Alternative hypothesis (H5_a):
The age of a business does not have an effect on the level of importance of established business owners' needs with respect to:	The age of a business has an effect on the level of importance of established business owners' needs with respect to:
5.(a) Business skills needed	5.(a) Business skills needed
5.(b) Entrepreneurial skills needed	5.(b) Entrepreneurial skills needed
5.(c) Business phase support	5.(c) Business phase support

<p>Null hypothesis (H6₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on the level of importance of established business owners' needs with respect to:</p> <p>6.(a) Business skills needed</p> <p>6.(b) Entrepreneurial skills needed</p> <p>6.(c) Business phase support</p>	<p>Alternative hypothesis (H6_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on the level of importance of established business owners' needs with respect to:</p> <p>6.(a) Business skills needed</p> <p>6.(b) Entrepreneurial skills needed</p> <p>6.(c) Business phase support</p>
<p>Null hypothesis (H7₀):</p> <p>The age of a business does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>	<p>Alternative hypothesis (H7_a):</p> <p>The age of a business has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>
<p>Null hypothesis (H8₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>	<p>Alternative hypothesis (H8_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>

There are unique differences between the needs of start-up and established business owners. These differences stem from aspects such as their financial needs, assistance with the markets they serve, customers' needs and relations, product / service innovativeness, managing business functions when expansion occurs and risk management (Herrington, 2009:54; Kirby, 2003:211; Kuratko and Hodgetts, 2007:4; Nieman, 2006:190; Nieman & Nieuwenhuizen, 2009:277). Government has to provide services to address these needs and are divided into four categories: accessibility to markets, finance, infrastructure and information;

business skills needed; business phase support; and the entrepreneurial skills needed.

From the descriptive analysis the data from the two research samples (government officials and start-up / established business owners) revealed some of the following findings regarding the rating of the support services provided and needed:

GOVERNMENT OFFICIALS	START-UP / ESTABLISHED BUSINESS OWNERS
<p>In category one, financial support when initially starting a business also received a <i>good</i> rating by ten (10) respondents (47.62 %). This particular support service was not rated as <i>excellent</i> by any respondents.</p>	<p>Access to roads, electricity, transport and communication was rated as <i>extremely important</i> by 165 respondents (50 %).</p> <p>Additional funds to increase assets received the second highest rating by 152 respondents (45.37 %).</p> <p>Exporting was rated as <i>very important</i> to <i>extremely important</i> by more than half (203) of the respondents (61.70 %).</p>
<p>In category two, ten (10) respondents (47.62 %) rated business skills needed such as compiling a business plan as <i>average</i>.</p> <p>Being responsive to customer needs was rated as <i>average</i> by nine (9) respondents (42.86 %) and <i>good</i> by eight (8) respondents (38.10 %).</p>	<p>For category two, 206 respondents (60.95 %) indicated that being responsive to customer needs is <i>extremely important</i>.</p> <p>Managing risks as the business grows as well as controlling and planning the growth of the business were rated respectively by 182 (53.85 %) and 177 (52.37 %) of the respondents as <i>extremely important</i>.</p>
<p>In category three, business phase support during the start-up process was rated as <i>good</i> by 14 of the respondents (70 %).</p> <p>Setting up and opening a business received a <i>good</i> rating by 13 of the respondents (65 %).</p> <p>However, support to manage a new business until it is 3.5 years old was rated <i>average</i> by 14 of the respondents (70 %).</p>	<p>In category three, assistance during the phase when the business is declining was rated as <i>extremely important</i> by 181 respondents (53.87 %).</p> <p>This is followed by support during the start-up process with 159 respondents (47.60 %); then support to manage a new business with 142 (42.26 %) respondents and lastly support in setting up and opening a business with 137 (40.77 %) respondents.</p>
<p>In category four, entrepreneurial skills needed to find new markets to exploit, received an <i>average</i> rating by 13 of the respondents (65 %).</p> <p>The rest of the skills were rated as <i>average</i> to <i>good</i> such as assistance to manage customer relations where six (6) respondents (30 %) rated it as <i>average</i> and nine (9) respondents (45 %) rated it as <i>good</i>.</p>	<p>In category four, regarding the entrepreneurial skills needed, assistance to innovate products / services was rated <i>extremely important</i> by 157 respondents (47.01 %).</p> <p>Assistance to managing customer relations was indicated by 152 respondents (45.51 %) as <i>extremely important</i> as well as assistance to find new markets not exploited before by 139 respondents (41.99 %).</p>

Overall, the government officials did not rate their support services as *very poor* or *excellent* but rather mostly *average* to *good*. In some instances the government officials from the different metropolitan municipalities were contradicting themselves. Many start-up / established business owners indicated that developing their overall business skills as well as entrepreneurial skills is *very important*. They also indicated their need for support during the crucial phases of the business' life cycle but especially when they start to experience declining sales, customers and profit. Decision Criteria (see Table 6.7) were developed to compare the government officials and start-up / established business owners' responses rating regarding the support services provided and needed to determine **similarities** and **differences** between the two groups (see Table 6.8). It can be construed that the total number of differences and areas of disagreement outweigh the similarities and areas of agreement between the ratings of the government officials and the start-up / established business owners.

Factor analysis and Cronbach's alpha (refer to Section 6.7) resulted in three acceptable factors to increase the validity and reliability of the measuring instrument. Factor 1 was labelled 'business skills needed'. The Eigen value for factor 1 is 7.12128 and the Cronbach alpha value is 0.8673. Factor 2 was labelled 'entrepreneurial skills needed'. The Eigen value for factor 2 is 1.77533 and the Cronbach alpha value is 0.8126. Factor 3 was labelled 'business phase support'. The Eigen value for factor 3 is 1.224111 and the Cronbach alpha value is 0.8037. The derived three factors delivered excellent Cronbach alpha results. A value of 0.9080 was obtained for all variables used. These three factors explained 48.22 % of the variance in data.

The One-Way ANOVA Test (refer to Tables 6.38, 6.41, 6.44) found three statistical significant differences. The first significant finding involved the variables 'age of business' and 'metropolitan municipality' and 'Factor 1'. Using a significance level of 1 % ($\alpha = 0.01$) the results show that only a metropolitan municipality has a statistical significant effect with regard to the level of importance of the business skills needed. Age of the business ($p = 0.8954$) has no statistical significant effect with regard to the level of importance of the business skills needed. The second

significant finding involved the variables 'age of business' and 'metropolitan municipality' and 'Factor 2'. Using a significance level of 1 % ($\alpha = 0.01$) the results show that only a metropolitan municipality has a statistical significant effect with regard to the level of importance of the entrepreneurial skills needed. Age of the business ($p = 0.7048$) has no statistical significant effect with regard to the level of importance of the entrepreneurial skills needed. The third significant finding involved the variables 'age of business' and 'metropolitan municipality' and 'Factor 3'. The results indicate that the p -value is 0.0024 which is less than 0.05. Using a significance level of 5 % ($\alpha = 0.05$) the results show that only a metropolitan municipality has a statistical significant effect with regard to the level of importance of the business phase support. Age of the business ($p = 0.7041$) has no statistical significant effect with regard to the level of importance of the business phase support.

The Kruskal-Wallis Test (refer to Table 6.46) found three statistical significant differences regarding the three factors (business skills needed, entrepreneurial skills, business phase support) involving the three groups – namely, the government officials, start-up and established businesses. According to the p -values there is a statistical significant difference between the three groups of government officials, start-up and established business owners at the 1 % level of significance ($\alpha = 0.01$) with regard to business skills needed ($p = 0.0001$), entrepreneurial skills needed ($p = 0.0001$) and business phase support ($p = 0.0001$). These results corroborate with the One-Way ANOVA Test results. Also, a Chi-square (X^2) value of 36.0478 (Table 6.47), and probability value of less than 0.0001 at a 1 % significance level indicates significant differences between metropolitan municipalities compared to the age of the business. Both start-up and established businesses located in the different provinces differ from each other.

The findings mean that the needs that government addresses and the needs considered important by the start-up / established business owners are viewed differently. Moreover, the different types of skills are not acknowledged (namely, business and entrepreneurial skills). A business venture's needs change as it passes through the different phases in its life cycle. This phase should firstly be determined so that the appropriate support can be provided.

Furthermore, these needs are also influenced by their location because each province has their own respective forms of small business support services. The need for business skills, entrepreneurial skills and business phase support differs in the different metropolitan municipalities. However, there is no statistical significant difference in terms of the age of the business which means that both the start-up and established business owners considered the business skills, entrepreneurial skills and business phase support as necessities. Government should take cognisance of all these findings when developing their support services and designing strategies to meet the varied needs of start-up and established businesses.

Based on the tests conducted and the empirical results achieved:

H5: the null hypothesis is accepted and the alternative hypothesis is rejected.

H6: the null hypothesis is rejected and the alternative hypothesis is accepted.

H7: the null hypothesis is accepted and the alternative hypothesis is rejected.

H8: the null hypothesis is rejected and the alternative hypothesis is accepted.

7.4.5 HYPOTHESIS 9 TESTING

In this section the two groups – start-ups and the established businesses – had to rank the phases of business support to get an idea of when each group needs support the most and when they need it the least. The Friedman Two-Way ANOVA Test was used to test the hypotheses. The following hypotheses were formulated to be tested statistically:

Null hypothesis (H9₀):	Alternative hypothesis (H9_a):
There is no statistical significant difference with regard to the timing of when business support is needed: <ol style="list-style-type: none"> 1. Within start-up businesses and 2. Within established businesses. 	There is a statistical significant difference with regard to the timing of when business support is needed: <ol style="list-style-type: none"> 1. Within start-up businesses and 2. Within established businesses.

For the start-up businesses the results indicated a Friedman Test statistic of 82.79 and a p -value of 0.0001. This indicated that a statistical significant difference exist with regard to when business phase support is needed within the start-up businesses group (Table 6.48). For the established businesses the results indicated a Friedman Test statistic of 58.59 and a p -value of 0.0001. This indicated that a statistically significant difference exists with regard to when business phase support is needed within the established businesses group (Table 4.49).

These results indicate that start-up and established businesses need totally different kinds of business support at different life-cycle phases. These findings also agree with the Kruskal-Wallis Test. The small business policy therefore has to take into account the different life-cycle phases and provide support services that addresses each phase's needs accordingly. In this way the start-up and established business owners may benefit far more than having support services that are too generalised and of little use to them.

Based on the tests conducted and the empirical results achieved:

H9: the null hypothesis is rejected and the alternative hypothesis is accepted.

7.4.6 HYPOTHESIS 10 TESTING

The hypothesis determines whether there is a significant relationship between the different small business policy evaluation factors and the needs factors from the government's point of view. This is important because the suppliers (government) of support services need to match the expectations of the business owners that demand these support services. The following hypotheses were formulated:

Null hypothesis (H10₀):	Alternative hypothesis (H10_a):
There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group	There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group.

The objectives of the small business policy correlate with the outcomes thereof (r value = 0.618; p = 0.0001). There is a weak correlation between the objectives of the small business policy and the business skills needed (r value = 0.322; p = 0.166). However, there is a strong correlation between the objectives and the entrepreneurial skills needed (r value = 0.674; p = 0.0001). The number of weak correlations is more than the number of strong correlations. This means that for the government, the correlation between the small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support is more weak than strong. Government is not providing the support that is required by the start-up / established business owners which imply that the small business policy is inadequate. It should be noted that even though there were some correlations and p -values which indicated statistical significant differences between the factors, it was decided to accept the null hypothesis because not all the small business policy evaluation factors and not all the needs factors had p -values less than 0.0001 or less than 0.05.

Based on the tests conducted and the empirical results achieved:

H10: the null hypothesis is accepted and the alternative hypothesis is rejected.

7.4.7 HYPOTHESIS 11 TESTING

The hypothesis determines if there is a significant relationship between the different small business policy evaluation factors and the needs factors from the start-up / established business owners' point of view. It is important to know whether the business owners can relate the small business policy objectives, outputs and outcomes to their business needs. The following hypotheses were formulated:

Null hypothesis (H11 ₀):	Alternative hypothesis (H11 _a):
There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group	There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group

From Table 6.51 the objectives of the small business policy correlate with the outputs thereof (r value = 0.669; $p < 0.0001$). There is a weak correlation between the objectives of the small business policy and the business skills needed (r value = 0.201; $p = 0.0002$) as well as with the entrepreneurial skills needed (r value = 0.342; $p < 0.0001$). This means that for the start-up / established business owners, the correlation between the small business policy objectives, outputs, outcomes, business skills needed, entrepreneurial skills needed and business phase support is more weak than strong. If government is to meet the needs of the start-up / established business owners, the small business policy objectives, outputs and outcomes have to strongly correlate with these needs. It should be noted that even though there were some correlations and p -values which indicated statistical significant differences between the factors, it was decided to accept the null hypothesis because not all the small business policy evaluation factors and not all the needs factors had p -values less than 0.0001 or less than 0.05.

Based on the tests conducted and the empirical results achieved:

H11: the null hypothesis is accepted and the alternative hypothesis is rejected.

Table 7.5 summarises the eleven (11) null and alternative hypotheses in this study, the results indicated in the hypothesis testing above, as well as the significance level utilised.

Table 7.5: Summary of hypothesis testing

Null hypotheses	Inferential		Alternative hypotheses	Inferential	
	$\alpha < 0.01$	$\alpha < 0.05$		$\alpha < 0.01$	$\alpha < 0.05$
<p>Null hypothesis (H1₀):</p> <p>The age of a business does not have an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>	<i>Accept</i>		<p>Alternative hypothesis (H1_a):</p> <p>The age of a business has an effect on the level of agreement with respect to:</p> <p>1.(a) Objectives of the small business policy</p> <p>1.(b) Outputs of the small business policy</p> <p>1.(c) Outcomes of the small business policy</p>	<i>Reject</i>	
<p>Null hypothesis (H2₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>	<i>Reject</i>		<p>Alternative hypothesis (H2_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on the level of agreement with respect to:</p> <p>2.(a) Objectives of the small business policy</p> <p>2.(b) Outputs of the small business policy</p> <p>2.(c) Outcomes of the small business policy</p>	<i>Accept</i>	<i>Accept</i>

<p>Null hypothesis (H3₀):</p> <p>There exists no statistical significant difference between the start-up and established business owners with regard to their views on the impact of the small business policy that:</p>			<p>Alternative hypothesis (H3_a):</p> <p>There exists a statistical significant difference between start-up and established business owners with regard to their views on the impact of the small business policy that:</p>		
<p>1. Jobs have been created, resulting in a reduced unemployment rate; and</p> <p>2. Economic growth of the country has increased.</p>	<i>Reject</i>		<p>1. Jobs have been created, resulting in a reduced unemployment rate; and</p>	<i>Accept</i>	
<p>2. Economic growth of the country has increased.</p>	<i>Reject</i>		<p>2. Economic growth of the country has increased.</p>	<i>Accept</i>	
<p>Null hypothesis (H4₀):</p> <p>There exists no statistical significant difference between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p>			<p>Alternative hypothesis (H4_a):</p> <p>There exists a statistical significant difference between the start-up and established businesses located in the selected metropolitan municipalities in the three provinces with regard to their views on the impact of the small business policy that:</p>		
<p>1. Jobs have been created, resulting in a reduced unemployment rate; and</p>	<i>Reject</i>		<p>1. Jobs have been created, resulting in a reduced unemployment rate; and</p>	<i>Accept</i>	
<p>2. Economic growth of the country has increased.</p>	<i>Reject</i>		<p>2. Economic growth of the country has increased.</p>	<i>Accept</i>	

<p>Null hypothesis (H5₀):</p> <p>The age of a business does not have an effect on the level of importance of established business owners' needs with respect to:</p> <p>5.(a) Business skills needed</p> <p>5.(b) Entrepreneurial skills needed</p> <p>5.(c) Business phase support</p>	<p><i>Accept</i></p> <p><i>Accept</i></p>	<p><i>Accept</i></p>	<p>Alternative hypothesis (H5_a):</p> <p>The age of a business has an effect on the level of importance of established business owners' needs with respect to:</p> <p>5.(a) Business skills needed</p> <p>5.(b) Entrepreneurial skills needed</p> <p>5.(c) Business phase support</p>	<p><i>Reject</i></p> <p><i>Reject</i></p>	<p><i>Reject</i></p>
<p>Null hypothesis (H6₀):</p> <p>The metropolitan municipality (in which the business venture is located) does not have an effect on the level of importance of established business owners' needs with respect to:</p> <p>6.(a) Business skills needed</p> <p>6.(b) Entrepreneurial skills needed</p> <p>6.(c) Business phase support</p>	<p><i>Reject</i></p> <p><i>Reject</i></p>	<p><i>Reject</i></p>	<p>Alternative hypothesis (H6_a):</p> <p>The metropolitan municipality (in which the business venture is located) has an effect on the level of importance of established business owners' needs with respect to:</p> <p>6.(a) Business skills needed</p> <p>6.(b) Entrepreneurial skills needed</p> <p>6.(c) Business phase support</p>	<p><i>Accept</i></p> <p><i>Accept</i></p>	<p><i>Accept</i></p>

<p>Null hypothesis (H7₀):</p> <p>The age of a business does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>	<p><i>Accept</i></p> <p><i>Accept</i></p>	<p><i>Accept</i></p>	<p>Alternative hypothesis (H7_a):</p> <p>The age of a business has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>7.(a) Business skills needed</p> <p>7.(b) Entrepreneurial skills needed</p> <p>7.(c) Business phase support</p>	<p><i>Reject</i></p> <p><i>Reject</i></p>	<p><i>Reject</i></p>
<p>Null hypothesis (H8₀):</p>			<p>Alternative hypothesis (H8_a):</p>		
<p>The metropolitan municipality (in which the business venture is located) does not have an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>	<p><i>Reject</i></p> <p><i>Reject</i></p>	<p><i>Reject</i></p>	<p>The metropolitan municipality (in which the business venture is located) has an effect on level of importance of start-up business owners' needs with respect to:</p> <p>8.(a) Business skills needed</p> <p>8.(b) Entrepreneurial skills needed</p> <p>8.(c) Business phase support</p>	<p><i>Accept</i></p> <p><i>Accept</i></p>	<p><i>Accept</i></p>

<p>Null hypothesis (H9₀):</p> <p>There exists no statistical significant difference with regard to the timing of when business support is needed:</p> <ol style="list-style-type: none"> 1. Within start-up businesses and 2. Within established businesses. 	<p><i>Reject</i></p> <p><i>Reject</i></p>		<p>Alternative hypothesis (H9_a):</p> <p>There exists a statistical significant difference with regard to the timing of when business support is needed:</p> <ol style="list-style-type: none"> 1. Within start-up businesses and 2. Within established businesses. 	<p><i>Accept</i></p> <p><i>Accept</i></p>	
<p>Null hypothesis (H10₀):</p> <p>There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group</p>	<p><i>Accept</i></p>		<p>Alternative hypothesis (H10_a):</p> <p>There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the government group</p>	<p><i>Reject</i></p>	
<p>Null hypothesis (H11₀):</p> <p>There exists no significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group</p>	<p><i>Accept</i></p>		<p>Alternative hypothesis (H11_a):</p> <p>There exists a significant relationship between each combination of the six factors (between small business policy objectives, outputs, outcomes, business skills, entrepreneurial skills needed and business phase support) for the start-up / established business owners' group</p>	<p><i>Reject</i></p>	
<p>Source: Own compilation.</p>					

The primary objective of the study was to evaluate the small business policy in South Africa to determine the need for and nature of an entrepreneurship policy. Based on statistical tests conducted and the empirical results achieved, this study is significant as it proves that the small business policy does not address the different needs of start-up and established business owners. However, since there is no statistical significant difference found relating to the age of the business and the small business policy, it can therefore be deduced that currently there is no need for an entrepreneurship policy in South Africa in addition to the existing small business policy. The latter policy has to rather be adjusted to correlate with the needs of the start-up and established business owners. There is no guarantee that another policy such as an entrepreneurship policy will close the needs gap of start-up and established business owners or contribute towards their development into small businesses or entrepreneurial ventures.

7.5 CONTRIBUTION OF THE STUDY

Understanding how and when governments should intervene to assist start-up and established business owners, still has substantial knowledge gaps, and remains controversial. Evaluating small business and entrepreneurship policies and advising policy makers has many challenges. Policies fail or succeed partially. Therefore, uncovering relevant factors involved that add to success or failure may be informative for policy makers, to make proper adjustments to policies.

Understanding entrepreneurship policy has become a necessary phenomenon. During the course of the study it was determined that there is not much literature available on evaluating small business and entrepreneurship policies. Therefore, this study makes a valid contribution to the knowledge base of the different fields of small business, entrepreneurship and the policy environment.

This study sets out to evaluate South Africa's small business policy and to determine the need for and nature of an entrepreneurship policy. To date such research has not been done. Unlike previous studies which tended to focus only on small business policies, this study provided an additional view on entrepreneurship policy. South Africa is an emerging economy and a developing country. There is a strong need to develop an understanding of entrepreneurship

in emerging economies. There is also limited research on entrepreneurship policy within the African continent. This study will therefore be beneficial and make a contribution towards both the national and international audience. It makes a contribution towards the policy considerations for small business and entrepreneurship design and evaluation. The research may aid policy makers to develop appropriate and effective strategies to the advantage of the country's economic growth.

The study makes a contribution by investigating and comparing the selected metropolitan municipalities' small business policy affecting start-up and established businesses. From a practical perspective, findings should assist both national and international policy makers to identify specific interventions relevant to the context and business environment. The study provides recommendations to enhance entrepreneurial activity and increase the number of start-up businesses as well as create a favourable small business environment.

Two groups of respondents were included in this study – namely, the suppliers of government support services (government officials) and those who demand these services (start-up / established business owners). These two groups rarely interact face-to-face with each other. In most studies only one of the two groups is examined. By interacting with both the policy makers and different start-up / established business owners, both points of views were considered which will make a sound contribution towards the field of study.

Many previous studies (Esterhuyzen, 2011:60; Turton & Herrington, 2013:43) involving entrepreneurs in South Africa have concluded that White people tend to be more likely to start a business than Black African and Coloured people. This study will be able to make a contribution to the field of entrepreneurship in South Africa because mostly Black African start-up / established business owners are included in the sample.

The study was conducted across all the sectors in the South African economy instead of focusing on one sector only. This is a valuable contribution as the study collected data from different sectors.

This study made use of mixed method research. This enabled quantitative data (from questionnaires) to be corroborated with qualitative data (from interviews). Results were also quantified and a spread of data analysis techniques applied to provide the most reliable and valid results and conclusions.

All results and conclusions are based on quantifiable data obtained from government officials involved in small business support services and not just on academic theoretical assumptions. This is an important contribution of this study.

The participation of senior government officials in interviews as informants added depth and breadth of information. Interviewees were not restricted in terms of the discussion led to some topics that were important but not necessarily relevant to the research problem. The fact that informants and respondents showed general agreement on their perceptions as measured in the questionnaires increased the reliability of the findings.

The study only utilised significance levels of 0.05 or 0.01, which result in confidence levels of 95 % and 99 %, respectively.

7.6 LIMITATIONS OF THE STUDY

Although this study was conducted in the best manner possible, with due consideration to optimal research design and methodologies to address the relevant research objectives, the following limitations were encountered.

- **Field of study:** The novel nature of entrepreneurship in the policy domain.
- **Respondents' willingness to participate in the study:** Policy research is often hampered by the sensitive and confidential nature of the research topic. The researcher provided for possible resistance by approaching government officials in senior positions directly and thus ensured their cooperation. Some time issues also arose from the fact that senior government officials were approached for interviews. In this regard the researcher was subjected to the goodwill of the respondents in terms of their availability, which did have a delaying effect on the research.
- **Sample selection and size:** The above issue regarding willingness to participate influenced the sample selection and could be seen as providing bias. The sampling methods used were a combination of

probability (systematic) and non-probability (judgemental / purposive) sampling. Own judgement in the selection of respondents, may have subjected the data to possible researcher bias. Although a total of 343 respondents was sufficient to conduct statistical analyses, such as factor analysis, the sample is still small relative to the population. The planned sample size for the number of government officials was 30 but only 23 questionnaires were completed successfully. The sample size for the government officials should be increased to limit the chance of a sampling error occurring and to enable more statistical examinations.

- **Geographical areas:** This study's target population was situated in three of the nine provinces in South Africa. From the three provinces, the majority of responses were Gauteng based which means that Gauteng Province was over-represented and contributed towards response bias. The sample size for each province should be increased to ensure full representation from all three provinces. Time constraints and cost limitations made it difficult to increase access to more entrepreneurs in the remaining two provinces.
- **Interviews:** It was noted in the study that certain measures were taken to reduce observer error and bias (Chapter 5). However, the researcher cannot neglect to mention that the potential did exist for observer error and bias during recording and interpreting of interviews.
- **South African context:** The title refers to South Africa's small business policy. The geographical context (that is, South Africa) of the research could restrict the generalisability of the findings for other contexts. However, country-specific research in this regard was the only possible option for the researcher due to constraints in terms of information, finance and time.

7.7 RECOMMENDATIONS AND FURTHER RESEARCH

The following opportunities and recommendations were identified from the literature review as well as the empirical testing during the course of this study, namely:

- Only three provinces (Gauteng, Western Cape and KwaZulu-Natal) were included in this study. In future research the remaining six provinces in South Africa should be included. This will allow for provincial comparisons which may result in constructive findings to inform policy decisions.

- South Africa is an emerging economy. Peer countries' small business policies can be investigated in detail to deduce the lessons that can be learnt from them. It can also be determined to what extent entrepreneurship policies played a role in its economic growth and development.
- There is a need for greater efforts in analysing policy impact to create a more favourable entrepreneurial environment. More research is required on the content of the different policy areas which forms the foundation for a national entrepreneurship strategy. The choice of entrepreneurship policy instruments need to specifically reflect the context in which South Africans have to be entrepreneurial.
- More studies on the types of support required by national governments on creating evaluation plans are needed. This will enable assessment of progress towards national objectives. Mentoring and guidance to local and regional partners to support capacity in evaluation, also need to be considered.
- There is a lack of information on small business policy evaluation. Studies on compiling evaluation criteria and plans need further research. Evaluation plans should, for example, include the following criteria: identifying the information and data to collect and monitor and how to categorise, store and use it; deciding what to evaluate, when and how to carry out the evaluation; benchmarking evaluation results; communicating results to stakeholders; and feeding results back into future policy design.
- Small business and entrepreneurship instruments are not operated on their own but are a part of other interventions addressing issues such as finance, management training, provision of premises, or provision of information. In these circumstances it is difficult to isolate the impact of any single programme since, the success of one policy, depends upon the presence of the others. In future, research policy makers need to go beyond individual programme evaluations to assess successes and challenges in developing broader entrepreneurship and SME strategies that represent more comprehensive and integrated packages of measures.
- This study focused only on metropolitan municipalities. Future research could include district and local municipalities and their interpretation and implementation of the national small business policy. Comparisons can be made between the municipalities to highlight similarities, differences and lessons that can be learnt.

7.8 SUMMARY AND CONCLUSION

The literature review introduced various important elements within the field of small business and entrepreneurship, and specifically in the policy domain. The context of policy monitoring and evaluation was also addressed. In this chapter the research objectives were revisited, which showed that the objectives of the study were met. Furthermore, the hypotheses were revisited and explained.

This study hypothesised whether the small business policy addressed the needs of both the start-up and established business owners. Furthermore it evaluated the current small business policy to determine the need for and nature of an entrepreneurship policy. Based on tests conducted and the empirical results achieved, the null hypotheses (H_{2_0} , H_{3_0} , H_{4_0} , H_{6_0} , H_{8_0} and H_{9_0}) were rejected and the alternative hypotheses (H_{2_a} , H_{3_a} , H_{4_a} , H_{6_a} , H_{8_a} and H_{9_a}) were accepted. Thus, this study is significant as it proves that the small business policy does not address the needs of start-up and established business owners. There are significant differences between the selected metropolitan municipalities in the way the small business policy addresses their needs as well as how its objectives, outputs, outcomes and impact are evaluated. However, there is no statistical significant difference found relating to the age of the business and the small business policy. Start-up and established businesses tend to continue to operate even without government support services or a policy in place. From the results it can therefore be deduced that currently there is no need for an additional policy such as the entrepreneurship policy in South Africa to supplement the existing small business policy. Entrepreneurship policies are mostly found in developed countries such as Canada and the UK. This study confirms that entrepreneurship policy is still a recent phenomenon and less well developed within developing nations and emerging economies such as South Africa.

The pertinent academic and practical significance of this study is that it found statistical significant differences proving that the objectives, outputs, and outcomes of the small business policy are not in line with the expectations of the start-up and established business owners. Importantly, this study argued that the shortcomings of the small business policy could be permeated by an entrepreneurship policy. Yet, good governance is a prerequisite to support and stimulate entrepreneurship

activity that positively contributes towards economic growth. Theoretically, this should help government to formulate and design improved and adequate policies that focus on the specific needs of start-up and established business owners by keeping in mind the age of the business as well as its phase in its venture life cycle. Furthermore, small business policy makers have been made aware of the importance of appropriate policy implementation, monitoring and evaluation measures.

Finally, it establishes the importance or the value of policy that can effectively assist business venture survival, growth and success. Government should actively cultivate both the small business sector as well as entrepreneurship. As a result, more individuals can be encouraged to start their own businesses and act entrepreneurially. With the proper support addressing the specific needs of start-up and established business owners more employment opportunities can be realised, poverty alleviated, the economy developed and customers be provided with innovative products and/or services. The true value of entrepreneurial action needs to be appreciated by both the individuals who actively pursue entrepreneurship and the policy makers that support and shape the small business and entrepreneurial environment.

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**ANNEXURE A:
RESEARCH QUESTIONNAIRE FOR GOVERNMENT
OFFICIALS**

**ANNEXURE A:
RESEARCH QUESTIONNAIRE TO
BE COMPLETED BY
GOVERNMENT OFFICIALS**



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences
Department of Business Management

Dear Respondent

The following questionnaire is part of a doctoral study entitled: "Evaluating the South African small business policy to determine the need for and nature of an entrepreneurship policy". It would be highly appreciated if you, the **government official**, could participate in the research study.

The main purpose of the study is to evaluate the small business policy in South Africa. The policy was formulated and implemented to assist both small business owners and entrepreneurs, regardless of their distinctive needs. The study will try to determine whether an entrepreneurship policy should be developed to address the needs of entrepreneurial venture owners that the small business policy does not cater for.

The study involves an anonymous survey. The answers you give will be treated as **STRICTLY CONFIDENTIAL**. The results of the study will be used for academic purposes only.

Please feel free to contact the researcher if you need any information concerning the questionnaire.

Research conducted by: Menisha Moos

Tel (012) 420 4667

Fax (012) 362 5198

E-mail: menisha.moos@up.ac.za

Please contact my supervisors, Dr M. Botha, at melodi.botha@up.ac.za and Prof G.H. Nieman, at ghnieman@up.ac.za if you have any questions or comments regarding the study.

Instructions for completion of the questionnaire:

1. Please read the questions and instructions carefully before answering.
2. Please answer the questions in the attached questionnaire as completely, objectively and honestly as possible. This should not take more than **30 minutes** of your time.
3. **Please mark the option which reflects your answer the most accurately with an (X) in the space provided.**
4. Where asked for comments or to express your own opinion, please keep your answers short and to the point.
5. Please answer all the questions, as this will provide more information to the researcher so that an accurate analysis and interpretation of data can be made.

PLEASE INDICATE WITH AN (X) IN THE BOX BELOW, THAT:

<p>You have read and understand the information provided above. You give your consent to participate in the study on a voluntary basis.</p>	
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**RESEARCH QUESTIONNAIRE TO BE COMPLETED BY GOVERNMENT OFFICIALS
INVOLVED WITH SUPPORT FOR SMALL BUSINESSES AND ENTREPRENURIAL VENTURES.**

Section A: Demographic details of the government officials

Mark the option which reflects your answer the most accurately with an (X).

1. Indicate your gender.	
Male	1
Female	2
2. Indicate your ethnic group.	
Indian	1
Coloured	2
Black	3
White	4
Other (please specify)	5

FOR OFFICE USE ONLY				
V1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1 – 3
V2	<input type="checkbox"/>			4
V3	<input type="checkbox"/>			5

3. Indicate the metropolitan municipality in which you are located.			
City of Cape Town		1	
City of Ekurhuleni (Alberton, Boksburg, Benoni, Brakpan)		2	
City of eThekweni (Durban)		3	
City of Johannesburg (Johannesburg, Soweto)		4	
City of Tshwane (Pretoria)		5	
4. Indicate your home language.			
Afrikaans	1	Xitsonga	7
English	2	Setswana	8
IsiNdebele	3	Tshivenda	9
Sepedi	4	IsiXhosa	10
Sesotho	5	IsiZulu	11
siSwati	6	Other (please specify)	12
5. Please state your age.			
Years:			

FOR OFFICE USE ONLY			
V4	<input type="text"/>		6
V5	<input type="text"/>	<input type="text"/>	7 – 8
V6	<input type="text"/>	<input type="text"/>	9 – 10

6. Indicate your highest level of education.			
Less than matric	1		
Matric (Grade 12)	2		
National Diploma (3 years)	3		
Bachelor's Degree (3 years)	4		
B Tech Degree (4 years)	5		
Honours Degree	6		
Master's Degree	7		
Doctoral Degree	8		
Other (please specify)	9		
7. Please state your full job title in the government			
8. Indicate how long have you been in this position.			
Years		Months	
9. Summarise the main responsibility of your position in only <u>ONE</u> sentence.			

FOR OFFICE USE ONLY			
V7	<input type="text"/>		11
V8	<input type="text"/>		12
V9	<input type="text"/>	<input type="text"/>	14 – 15
V10	<input type="text"/>	<input type="text"/>	16 – 17
V11	<input type="text"/>	<input type="text"/>	18 – 19
V12	<input type="text"/>	<input type="text"/>	20 – 21

Section B: Demographic details of the clients

Answer this section by ranking the demographics of your clients on a **scale of 1 to 3**.

Number **3** matches the demographics of the clients that consult you **the most** and

number **1** matches the demographics of the clients that **do not consult** you at all.

10. Age groups of your clients	No clients at all (0%)	Less than half of your clients (<50%)	More than half of your clients (>50%)
19 years and younger	1	2	3
20 to 29 years old	1	2	3
30 to 39 years old	1	2	3
40 to 49 years old	1	2	3
50 to 59 years old	1	2	3
60 years and older	1	2	3
11. Gender of your clients	No clients at all (0%)	Less than half of your clients (<50%)	More than half of your clients (>50%)
Male	1	2	3
Female	1	2	3

FOR OFFICE USE ONLY		
V13		22
V14		23
V15		24
V16		25
V17		26
V18		27
V19		28
V20		29

12. Ethnic group of your clients	No clients at all (0%)	Less than half of your clients (<50%)	More than half of your clients (>50%)
Indian	1	2	3
Coloured	1	2	3
Black	1	2	3
White	1	2	3
Other (please specify)			
13. Size of your clients' businesses that you provide support to?	No clients at all (0%)	Less than half of your clients (<50%)	More than half of your clients (>50%)
The business has no employees yet	1	2	3
The business has one employee – namely, the owner	1	2	3
The business has less than 5 employees, including the owner	1	2	3
The business has less than 50 employees, including the owner	1	2	3
The business has less than 200 employees, including the owner	1	2	3

FOR OFFICE USE ONLY		
V21		30
V22		31
V23		32
V24		33
V25		34
V26		35
V27		36
V28		37
V29		38
V30		39

14. Which one of the following sectors best describes your clients' core business?	No clients at all (0%)	Less than half of your clients (<50%)	More than half of your clients (>50%)
Agriculture	1	2	3
Mining & quarrying	1	2	3
Manufacturing	1	2	3
Electricity, gas & water	1	2	3
Construction	1	2	3
Retail, motor trade & repair services	1	2	3
Wholesale trade, commercial agents & allied services	1	2	3
Catering, accommodation & other trade	1	2	3
Transport, storage & communications	1	2	3
Finance & business services	1	2	3
Community, social & personal services	1	2	3
Other (please specify)			

FOR OFFICE USE ONLY		
V31		40
V32		41
V33		42
V34		43
V35		44
V36		45
V37		46
V38		47
V39		48
V40		49
V41		50
V42		51

15. Form of business ownership of your clients' businesses	No clients at all (0%)	Less than half of your clients (<50%)	More than half of your clients (>50%)
Not registered	1	2	3
Sole proprietorship	1	2	3
Partnership	1	2	3
Close corporation	1	2	3
Company (Private)	1	2	3
Company (Public)	1	2	3
Business trust	1	2	3
Co-operative	1	2	3
Other (please specify)			
16. Annual turnover / sales of your clients' businesses	No clients at all (0%)	Less than half of your clients (<50%)	More than half of your clients (>50%)
Below R 150 000 per year	1	2	3
R 150 001 to R 250 000 per year	1	2	3
R 250 001 to R 500 000 per year	1	2	3
R 500 001 to R 1 000 000 per year	1	2	3
R 1 000 001 to R 2 500 000 per year	1	2	3
R 2 500 001 to R 5 000 000 per year	1	2	3
More than R 5 000 000 per year	1	2	3

FOR OFFICE USE ONLY		
V43		52
V44		53
V45		54
V46		55
V47		56
V48		57
V49		58
V50		59
V51		60
V52		61
V53		62
V54		63
V55		64
V56		65
V57		66
V58		67

Section C: Details of the government support provided

17. How would you rate the following government support that you provide to your clients?						
	Government support provided	Very poor	Poor	Average	Good	Excellent
Access to						
17.1	Local and overseas markets	1	2	3	4	5
17.2	Financial support including access to capital and loans when initially starting a business	1	2	3	4	5
17.3	Roads, electricity, transport and communication facilities	1	2	3	4	5
17.4	Information regarding economic, market and government regulations and programmes	1	2	3	4	5
17.5	Additional funds to increase assets	1	2	3	4	5

FOR OFFICE USE ONLY		
V59		68
V60		69
V61		70
V62		71
V63		72

	Government support provided	Very poor	Poor	Average	Good	Excellent
Skills to						
17.6	Identify and choose an initial product or service for the market when planning a start-up	1	2	3	4	5
17.7	Compile a business plan	1	2	3	4	5
17.8	Do market research	1	2	3	4	5
17.9	Deal with cash-flow problems	1	2	3	4	5
17.10	Control and plan the growth of the business	1	2	3	4	5
17.11	Manage risks as the business grows	1	2	3	4	5
17.12	Be responsive to customer needs	1	2	3	4	5
	Government support provided	Very poor	Poor	Average	Good	Excellent
Support provided						
17.13	During the start-up process of a business	1	2	3	4	5
17.14	In setting up and opening a business	1	2	3	4	5
17.15	To manage a new business until it is 3.5 years old	1	2	3	4	5
17.16	To manage a business that is more than 3.5 years old	1	2	3	4	5
17.17	When the business is declining in terms of sales, number of customers and profit	1	2	3	4	5

FOR OFFICE USE ONLY		
V64		73
V65		74
V66		75
V67		76
V68		77
V69		78
V70		79
V71		80
V72		81
V73		82
V74		83
V75		84

	Government support provided	Very poor	Poor	Average	Good	Excellent
Assistance to						
17.18	Register businesses	1	2	3	4	5
17.19	Develop businesses to export products	1	2	3	4	5
17.20	Find new markets not exploited before	1	2	3	4	5
17.21	Outsource business functions such as human resources management	1	2	3	4	5
17.22	Manage customer relations	1	2	3	4	5
17.23	Innovate products/services	1	2	3	4	5
18.	Rank on a scale from 1 to 5 when support is provided at each phase of the business (number 1 being the phase when most support is provided and number 5 being the phase when least support is provided).					
	The phases of the business when support is provided					Rank from 1 (most) to 5 (least)
1.	Before the business is started					
2.	During the start-up process for the business					
3.	After the new business is established and is less than 3.5 years old					
4.	When the established business is more than 3.5 years old					
5.	When the business is declining, eg sales drop					

FOR OFFICE USE ONLY		
V76		85
V77		86
V78		87
V79		88
V80		89
V81		90
V82		91
V83		92
V84		93
V85		94
V86		95

19. What <u>other support</u> do you provide to clients besides the ones listed in question 17?						
20. Indicate to what extent you agree or disagree with the following statements regarding the <u>follow-up</u> of your clients. <i>Answer question 20 <u>ONLY</u> if you follow-up clients.</i>						
	Do you follow-up clients to determine whether	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
20.1	A new product / service was introduced to their customers during the past year.	1	2	3	4	5
20.2	Long-term objectives (3 to 5 years) were set for the business.	1	2	3	4	5
20.3	Sales increased more than inflation in the past year.	1	2	3	4	5

FOR OFFICE USE ONLY		
V87		96-97
V88		98
V89		99
V90		100

Section D: Details of the small business policy and evaluation

21. Indicate to what extent you agree or disagree with the following statements regarding the <u>objectives</u> of South Africa's small business policy.						
	The government's small business policy aims to	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
21.1	Assist with business venture growth	1	2	3	4	5
21.2	Motivate more new entrepreneurs to start businesses	1	2	3	4	5
21.3	Target existing businesses rather than individuals	1	2	3	4	5
21.4	Target nascent entrepreneurs or new business starters	1	2	3	4	5
21.5	Focus on creating a favourable business environment (by, for example, reducing "red tape")	1	2	3	4	5
21.6	Stimulate entrepreneurship and an entrepreneurial culture or climate in the country	1	2	3	4	5
21.7	Strive to achieve results in less than four years	1	2	3	4	5

FOR OFFICE USE ONLY		
V91		101
V92		102
V93		103
V94		104
V95		105
V96		106
V97		107

21.8	Have a narrow, rather than a broad definition of which institutional structures constitute the support environment.	1	2	3	4	5
21.9	Favour measures to support early phases of the entrepreneurial development process	1	2	3	4	5
21.10	Influence the quantitative aspects such as the number of self-employed, small or new business ventures rather than the quality thereof	1	2	3	4	5
22. To what extent do you agree or disagree with the following statements about the <u>outputs</u> of South Africa's small business policy?						
	Statement	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
22.1	Support reaches all regions of the country because the local network for small business development services has been strengthened.	1	2	3	4	5
22.2	The necessary support incentives are provided.	1	2	3	4	5
22.3	A dedicated network of SMME finance has been established.	1	2	3	4	5

V98		108
V99		109
V100		110
V101		111
V102		112
V103		113

23. List any <u>other outputs</u> of South Africa's small business policy that are not mentioned in question 22.						
24. To what extent do you agree or disagree with the following statements about the <u>outcomes</u> of South Africa's small business policy?						
	Statement	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
24.1	A demand has been created for small enterprise products and services.	1	2	3	4	5
24.2	Small enterprise competencies and delivery capacity have improved.	1	2	3	4	5
24.3	Enterprise networks, for example, between government, public institutions and private sector have strengthened.	1	2	3	4	5
24.4	The regulatory environment has improved.	1	2	3	4	5
24.5	Entrepreneurship and small business research have improved.	1	2	3	4	5
24.6	An entrepreneurship culture has been fostered.	1	2	3	4	5

FOR OFFICE USE ONLY		
V104		114-115
V105		116
V106		117
V107		118
V108		119
V109		120
V110		121

24.7.	The number of business start-ups has increased.	1	2	3	4	5
24.8	The number of start-up obstacles has decreased.	1	2	3	4	5
24.9	There are changes in the level of entrepreneurial activity among women and the youth.	1	2	3	4	5
25.	List any <u>other outcomes</u> of South Africa's small business policy that are not mentioned in question 24.					
26.	To what extent do you agree or disagree with the following statements about the <u>impact</u> of South Africa's small business policy.					
	Statement	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
26.1	Jobs have been created, resulting in a reduced unemployment rate.	1	2	3	4	5
26.2	Economic growth of the country has increased.	1	2	3	4	5
27.	List any <u>other impacts</u> of South Africa small business policy that are not mentioned in question 26.					

V111		122
V112		123
V113		124
V114		125-126
V115		127
V116		128
V117		129-130

28. If you are involved in policy evaluation, briefly explain how the evaluation of the small business policy takes place and how long after the implementation thereof does it take place?				
29. If you are not involved in policy evaluation, which person or organisation is mainly responsible for policy evaluation?				
30. Are you familiar with the entrepreneurship policy?	Yes	1	No	2
31. In your opinion, how would an entrepreneurship policy differ from the current small business policy?				

FOR OFFICE USE ONLY		
V118		131-132
V119		133
V120		134
V121		135-136

THANK YOU FOR VERY MUCH FOR COMPLETING THIS QUESTIONNAIRE!!

**ANNEXURE B:
RESEARCH QUESTIONNAIRE FOR START-UP AND
ESTABLISHED BUSINESS OWNERS**

**ANNEXURE B:
RESEARCH QUESTIONNAIRE TO BE
COMPLETED BY SMALL BUSINESS
OWNER / ENTREPRENEUR**



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences
Department of Business Management

Dear Respondent

The following questionnaire is part of a doctoral study entitled: "Evaluating the South African small business policy to determine the need for and nature of an entrepreneurship policy". It would be highly appreciated if you, the **small business owner / entrepreneur**, could participate in the research study.

The main purpose of the study is to evaluate the small business policy in South Africa. The policy was formulated and implemented to assist both small business owners and entrepreneurs, regardless of their distinctive needs. The study will try to determine whether an entrepreneurship policy should be developed to address the needs of entrepreneurial venture owners that the small business policy does not cater for.

The study involves an anonymous survey. The answers you give will be treated as **STRICTLY CONFIDENTIAL**. The results of the study will be used for academic purposes only.

Please feel free to contact the researcher if you need any information concerning the questionnaire.

Research conducted by: Menisha Moos

Tel (012) 420 4667

Fax (012) 362 5198

E-mail: menisha.moos@up.ac.za

Please contact my supervisors, Dr M. Botha, at melodi.botha@up.ac.za and Prof G.H. Nieman, at gjnieman@up.ac.za if you have any questions or comments regarding the study.

Instructions for completion of the questionnaire:

1. Please read the questions and instructions carefully before answering.
2. Please answer the questions in the attached questionnaire as completely, objectively and honestly as possible. This should not take more than **30 minutes** of your time.
3. **Please mark the option which reflects your answer the most accurately with an (X) in the space provided.**
4. Where asked for comments or to express your own opinion, please keep your answers short and to the point.
5. Please answer all the questions, as this will provide more information to the researcher so that an accurate analysis and interpretation of data can be made.

PLEASE INDICATE WITH AN (X) IN THE BOX BELOW, THAT:

<p>You have read and understand the information provided above. You give your consent to participate in the study on a voluntary basis.</p>	
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RESEARCH QUESTIONNAIRE TO BE COMPLETED BY THE SMALL BUSINESS OWNER / ENTREPRENEUR.

Screening question: Please indicate when the business venture was started.

During / Before February 2008	1	After February 2008	2
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Section A: Demographic details of the small business owner / entrepreneur

Mark the option which reflects your answer the most accurately with an (X).

1. Indicate your gender.	
Male	1
Female	2
2. Indicate your ethnic group.	
Indian	1
Coloured	2
Black	3
White	4
Other (please specify)	5

FOR OFFICE USE ONLY			
V1	<input type="checkbox"/>	<input type="checkbox"/>	1 – 3
V2	<input type="checkbox"/>		4
V3	<input type="checkbox"/>		5

3. Indicate the metropolitan municipality in which you are located.			
City of Cape Town			1
City of Ekurhuleni (Alberton, Boksburg, Benoni, Brakpan)			2
City of eThekweni (Durban)			3
City of Johannesburg (Johannesburg, Soweto)			4
City of Tshwane (Pretoria)			5
4. Indicate your home language.			
Afrikaans	1	Xitsonga	7
English	2	Setswana	8
IsiNdebele	3	Tshivenda	9
Sepedi	4	IsiXhosa	10
Sesotho	5	IsiZulu	11
siSwati	6	Other (please specify)	12
5. Indicate into which age category you fall.			
20 to 29			1
30 to 39			2
40 to 49			3
50 to 59			4
60 to 69			5
70 or older			6

FOR OFFICE USE ONLY			
V4	<input type="text"/>		6
V5	<input type="text"/>	<input type="text"/>	7 – 8
V6	<input type="text"/>		9

6. Indicate your highest level of education.			
Less than matric			1
Matric (Grade 12)			2
National Diploma (3 years)			3
Bachelor's Degree (3 years)			4
B Tech Degree (4 years)			5
Honours Degree			6
Master's Degree			7
Doctoral Degree			8
Other (please specify)			9
7. Please indicate the date on which you started your business			
Month		Year	

FOR OFFICE USE ONLY			
V7	<input type="text"/>		10
V8	<input type="text"/>		11

Section B: Details of the business venture

Please indicate which factor best describes the details of your business venture.	
8. Number of employees in your business venture?	
The business has no employees yet	1
The business has one employee – namely, the owner	2
The business has fewer than 5 employees, including the owner	3
The business has fewer than 50 employees, including the owner	4
The business has fewer than 200 employees, including the owner	5
9. Describe your core business, for example, the product or service you sell to customers.	

FOR OFFICE USE ONLY	
V9	<input type="text"/> 12
V10	<input type="text"/> <input type="text"/> 13 – 14

10. Form of ownership of your business venture?	
Not registered	1
Sole proprietorship	2
Partnership	3
Close corporation	4
Company (Private)	5
Company (Public)	6
Business trust	7
Co-operative	8
Other (please specify)	9
11. Annual turnover / sales of your business venture? Answer question 11 <u>ONLY</u> if your business venture has been running for one year or longer.	
Below R 150 000 per year	1
R 150 001–R 250 000 per year	2
R 250 001–R 500 000 per year	3
R 500 001–R 1000 000 per year	4
R 1000 001–R 2 500 000 per year	5
R 2 500 001–R 5 000 000 per year	6
More than R 5 000 000 per year	7

FOR OFFICE USE ONLY		
V11	<input type="text"/>	15
V12	<input type="text"/>	16

12. How long did it take your business venture to break even (income = expenses)? Answer question 12 ONLY if your business venture has been running for one year or longer.			
Not yet		1	
3 to 6 months		2	
7 months to one year		3	
Longer than one year		4	
13. How profitable is your business venture? Answer question 13 ONLY if your business venture is one year old or more.			
Profitable (mostly have surplus money left after covering costs)		1	
Just profitable (have little surplus money left after covering costs)		2	
Break-even (covering costs only)		3	
Running at a loss (not covering costs)		4	
Do not know		5	
14. How many businesses are in direct competition with your business venture?			
Many businesses		1	
Few businesses		2	
No other businesses		3	
15. What is your average number of customers per day / per month? Answer question 15 ONLY if your business venture is one year old or more.			
Number of customers per day		Number of customers per month	
16. How many employees do you expect to have within 5 years?			

FOR OFFICE USE ONLY			
V13	<input type="text"/>		17
V14	<input type="text"/>		
V15	<input type="text"/>		19
V16	<input type="text"/>	<input type="text"/>	20 – 22
V17	<input type="text"/>	<input type="text"/>	23 – 25
V18	<input type="text"/>	<input type="text"/>	26 – 28

Section C: Details of the needs of small business owners / entrepreneurs

17. Indicate how important you think the following factors are to your business venture.						
	Item	Not important	Fairly important	Moderately important	Very important	Extremely important
Access to						
17.1	Local and overseas markets	1	2	3	4	5
17.2	Financial support including access to capital and loans when initially starting a business	1	2	3	4	5
17.3	Roads, electricity, transport and communication facilities	1	2	3	4	5
17.4	Information regarding economic, market and government regulations and programmes	1	2	3	4	5
17.5	Additional funds to increase assets	1	2	3	4	5
	Item	Not important	Fairly important	Moderately important	Very important	Extremely important
Skills to						
17.6	Identify and choose an initial product or service for the market when planning a start-up	1	2	3	4	5
17.7	Compile a business plan	1	2	3	4	5
17.8	Do market research	1	2	3	4	5
17.9	Deal with cash-flow problems	1	2	3	4	5
17.10	Control and plan the growth of the business	1	2	3	4	5
17.11	Manage risks as the business grows	1	2	3	4	5
17.12	Be responsive to customer needs	1	2	3	4	5

FOR OFFICE USE ONLY		
V19		29
V20		30
V21		31
V22		32
V23		33
V24		34
V25		35
V26		36
V27		37
V28		38
V29		39
V30		40

	Item	Not important	Fairly important	Moderately important	Very important	Extremely important
Support needed						
17.13	During the start-up process of a business	1	2	3	4	5
17.14	In setting up and opening a business	1	2	3	4	5
17.15	To manage a new business until it is 3.5 years old	1	2	3	4	5
17.16	To manage a business that is more than 3.5 years old	1	2	3	4	5
17.17	When the business is declining in terms of sales, number of customers and profit	1	2	3	4	5
	Item	Not important	Fairly important	Moderately important	Very important	Extremely important
Assistance to						
17.18	Register a business	1	2	3	4	5
17.19	Develop business to export products	1	2	3	4	5
17.20	Find new markets not exploited before	1	2	3	4	5
17.21	Outsource business functions such as human resource management	1	2	3	4	5
17.22	Manage customer relations	1	2	3	4	5
17.23	Innovate products/services	1	2	3	4	5

FOR OFFICE USE ONLY		
V31		41
V32		42
V33		43
V34		44
V35		45
V36		46
V37		47
V38		48
V39		49
V40		50
V41		51

18. RANK on a scale from 1 to 5 when support is needed at each phase of the business (number 1 being the phase when most support is needed and number 5 being the phase when least support is needed).

	The phases of the business when support is needed	Rank from 1 (most) to (least)
1.	Before the business is started	
2.	During the start-up process for the business	
3.	After the new business is established and is less than 3.5 years old	
4.	When the established business is more than 3.5 years old	
5.	When the business is declining, e.g. sales drop	

19. What other support do you require besides the support listed in question 17?

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20. Indicate to what extent you agree or disagree with the following statements regarding the expansion of your business. Answer question 20 ONLY if your business venture is one year old or more.

	Statement	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
20.1	A new product / service was introduced to your customers during the past year.	1	2	3	4	5
20.2	Long-term objectives (3 to 5 years) have been set for the business.	1	2	3	4	5
20.3	Sales increased more than inflation in the past year.	1	2	3	4	5

FOR OFFICE USE ONLY

V42		52
V43		53
V44		54
V45		55
V46		56
V47		57 – 58
V48		59
V49		60
V50		61

Section D: Details of the small business policy and evaluation

21. Indicate to what extent you agree or disagree with the following statements regarding the <u>objectives</u> of South Africa's small business policy.						
	The government's small business policy aims to	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
21.1	Assist with business venture growth	1	2	3	4	5
21.2	Motivate more new entrepreneurs to start businesses	1	2	3	4	5
21.3	Target existing businesses rather than individuals	1	2	3	4	5
21.4	Target nascent entrepreneurs / new business starters	1	2	3	4	5
21.5	Focus on creating a favourable business environment (by, for example, reducing red tape)	1	2	3	4	5
21.6	Stimulate entrepreneurship and an entrepreneurial culture or climate in the country	1	2	3	4	5
21.7	Achieve results in less than four years	1	2	3	4	5
21.8	Have a narrow, rather than a broad definition of which institutional structures constitute the support environment	1	2	3	4	5

FOR OFFICE USE ONLY		
V51		62
V52		63
V53		64
V54		65
V55		66
V56		67
V57		68
V58		69

	The government's small business policy aims to	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
21.9	Favour measures to support early phases of the entrepreneurial development process	1	2	3	4	5
21.10	Influence the quantitative aspects such as the number of self-employed, small or new business ventures rather than the quality thereof	1	2	3	4	5
22. To what extent do you agree or disagree with the following statements about the <u>outputs</u> of South Africa's small business policy?						
	Statement	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
22.1	Support reaches all regions of the country because the local network for small business development services has been strengthened.	1	2	3	4	5
22.2	The necessary support incentives are provided.	1	2	3	4	5
22.3	A dedicated network of SMME finance has been established.	1	2	3	4	5
23. List any <u>other outputs</u> of South Africa's small business policy that are not mentioned in question 22.						

FOR OFFICE USE ONLY		
V59		70
V60		71
V61		72
V62		73
V63		74
V64		75 – 76

24. To what extent do you agree or disagree with the following statements about the outcomes of South Africa's small business policy?						
	Statement	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
24.1	A demand has been created for small-enterprise products and services.	1	2	3	4	5
24.2	Small enterprise competencies and delivery capacity have improved.	1	2	3	4	5
24.3	Enterprise networks, for example, between government, public institutions and the private sector, have strengthened.	1	2	3	4	5
24.4	The regulatory environment has improved.	1	2	3	4	5
24.5	Entrepreneurship and small business research have improved.	1	2	3	4	5
24.6	An entrepreneurship culture has been fostered.	1	2	3	4	5
24.7	The number of business start-ups has increased.	1	2	3	4	5
24.8	The number of start-up obstacles has decreased.	1	2	3	4	5
24.9	There are changes in the level of entrepreneurial activity among women and the youth.	1	2	3	4	5

FOR OFFICE USE ONLY		
V65		77
V66		78
V67		79
V68		80
V69		81
V70		82
V71		83
V72		84
V73		85

25. List any <u>other outcomes</u> or results of South Africa's small business policy that are not mentioned in question 24.						
26. To what extent do you agree or disagree with the following statements about the <u>impact</u> of South Africa's small business policy.						
	Statement	Definitely disagree	Probably disagree	Do not know	Probably agree	Definitely agree
26.1	Jobs have been created, resulting in a reduced unemployment rate.	1	2	3	4	5
26.2	Economic growth of the country has increased.	1	2	3	4	5
27. List any <u>other impacts</u> of South Africa small business policy that are not mentioned in question 26.						
28.	Are you familiar with the entrepreneurship policy?	Yes	1	No	2	
29.	In your opinion, how would an entrepreneurship policy differ from the current small business policy?					

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V74		86 – 87
V75		88
V76		89
V77		90 – 91
V78		92
V79		93

THANK YOU VERY MUCH FOR COMPLETING THIS QUESTIONNAIRE!!

ANNEXURE C:

GOVERNMENT STRATEGIES ENTAILING SOUTH AFRICA'S SMALL BUSINESS POLICY

C1. THE NATIONAL STRATEGY FOR THE DEVELOPMENT AND PROMOTION OF SMALL BUSINESS

C1.1 Aim and objectives of the National strategy for the development and promotion of small business

South Africa experienced the dawn of a new democratic era in 1994. This triggered the Government to take measures to guarantee that small business development becomes a key policy focus. The National Small Business Act (Act No. 102 of 1996) (RSA, 1996), as amended, formed the cornerstone for the **dti** to address SMME development in the country. The Act was formulated after the release of the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa and the first President's Conference on Small Business in March 1995. This was the first initiative to be formulated on addressing small business development in the country. Government stated that the primary objective of the national policy framework was to create an enabling environment for small enterprises (**dti**, 2005b:iii).

The **key objectives of the National strategy** are (**dti**, 1995:16):

- Creating an enabling environment for small enterprises;
- Facilitating greater education of income, wealth and earning opportunities;
- Addressing the legacy of apartheid-based disempowerment of black business;
- Supporting the advancement of women in all business sectors;
- Creating long-term jobs;
- Stimulating sector-focused economic growth; and
- Strengthening cohesion between enterprises.

Note should be taken that the title of the national strategy only makes provision for “small business” and not “entrepreneurship”. One can deduce from the title that the main aim was exclusively small business development. It could be that entrepreneurship was not considered as pertinent in 1994 in the country.

C1.2 Main activities of the National strategy for the development and promotion of small business

The Government identified a substantial number of activities that they deemed important to accomplish the aim and objectives of the national strategy. From the outset it looked like quite a daunting and ambitious task to bring about the expected change in the small business sector.

The activities include creating an enabling legal framework, streamlining regulatory conditions, providing access to information and service, marketing and procurement, appropriate technology and finance. Other activities are developing the physical infrastructure, industrial relations and labour environment, providing training in entrepreneurship, skills and management. Lastly, activities also involve capacity building and institutional strengthening as well as providing differential taxation and other financial incentives (**dti**, 1995:25).

C1.3 Outcomes of the National strategy for the development and promotion of small business

Government believes that much good work has been done since launching a small business policy more than a decade ago (1995 to 2004). The following outcomes were achieved (**dti**, 2004:38):

- A solid foundation of small support services has been established systematically and profoundly through both private and public service suppliers.
- Key institutions have been created and developed such as SEDA (previously known as Ntsika) and Khula. These two bodies have been most directly involved in a certain range of financing and non-financial support programmes, but they only cover a limited range of support and a limited number of clients.
- Policy co-ordination within government at all tiers and between government and the private sector has improved immensely.

After a decade of institutional, policy/programme and implementation evolution, the ISEDS was pursued. The government stated that the strategy was going to exceed the visionary White Paper of 1995. This strategy is discussed next.

C2. THE INTEGRATED SMALL ENTERPRISE DEVELOPMENT STRATEGY (ISEDS)

In 2005 the Integrated Small Enterprise Development Strategy (ISEDS) was introduced by the **dti** and presents the way forward for small enterprise development in South Africa over the next ten years (namely, 2005 to 2014). It was the result of a thorough process of review, consultation, research and refinement and also takes into account the changing economic context (**dti**, 2005a:4).

The strategy places particular emphasis on addressing the needs of micro-enterprises, small enterprises in high-growth sectors, and small enterprises owned and managed by historically disadvantaged individuals – namely, black people, women, the youth and the disabled (**dti**, 2005a:6). This is in line with the viewpoint of the Department of Provincial and Local Government (DPLG) that the way local areas are governed by municipalities is a key determinant of LED (DPLG, 2006:23).

C2.1 Aim and objectives of the Integrated small enterprise development strategy (ISEDS)

A vision exists to create an entrepreneurial South Africa that rewards and recognises those individuals who have identified business opportunities and are in the process of pursuing it. Together with this strategy the aim is to improve the collaboration and communication between government, other suppliers of support and the small-enterprise community in the process of implementing it (**dti**, 2005a:6).

The **key objectives of the ISEDS** can be summarised as follows:

1. **Increase the contribution of small enterprises** to the growth of the South African economy.

2. **Create an enabling environment for small enterprises** with a level playing field between big business and small enterprises that reduces the disparities between urban and rural enterprises and is conducive to entrepreneurship.
3. **Create sustainable long-term jobs** in the small enterprise sector.
4. **Ensure equitable access and participation** in term of race, gender, disability, age, geographical location and sector.
5. **Increase the competitiveness of the small-enterprise sector and its enabling environment** so that it is better able to take advantage of opportunities emerging in national, African and international markets.

C2.2 Main activities of the Integrated small enterprise development strategy (ISEDS)

Judging from the name of the strategy, the ISEDS focused on integrating a wider group of institutions into the realm of small-business to provide access to support and development services. A more co-operative approach of government towards its partners in the public and private sectors was introduced (dti, 2005a:4).

C2.3 Outcomes of the Integrated small enterprise development strategy (ISEDS)

The main institutional reforms as set out in the ISEDS include the recent establishment of the SEDA which will localise support through a national network of access points, the establishment of the South African Micro-Finance Apex Fund (SAMAF) that provides micro-finance to micro enterprises and a more focused approach by Khula to service SMMEs (dti, 2005a:4).

Recognising the need for focused SMME support, the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (ISPESE) entered the scene. Similarly to the ISEDS, the ISPESE is the outcome of a thorough process of review, consultation, research and refinement undertaken from 2003 to 2005. It will be discussed in the next section.

C3. THE INTEGRATED STRATEGY ON THE PROMOTION OF ENTREPRENEURSHIP AND SMALL ENTERPRISES (ISPESE)

ISPESE is the first strategy that includes the term “entrepreneurship.” The ISEDS still only mentioned small enterprises. Entrepreneurs in the pre-start-up, start-up and growth phases, as well as businesses in distress are mentioned and acknowledged by the strategy. According to government this document should be viewed as a strategic framework rather than a blueprint or a detailed implementation plan. It outlines national government’s efforts in fostering entrepreneurship and promoting small enterprise in South Africa over the next ten years (**dti**, 2005a:ii). It is recommended for use by all role players that seek to make a contribution in assisting the entry of new role players into the formal economy, strengthening the growth and sustainability of existing enterprises. The core thrust for this strategy framework makes no significant shift from the measures outlined in the 1995 White Paper (**dti**, 2005b:5).

C3.1 Aim and objectives of the Integrated strategy on the promotion of entrepreneurship and small enterprises (ISPESE)

Intention of the strategy is to deepen and strengthen government’s effort to transform the economy. This is articulated in various government policies and strategies. The primary objective of ISPESE is to ensure that the overall task of fostering entrepreneurship and promoting small enterprises is carried out adequately and effectively. A high level of performance and success must be achieved across all policy and action areas (**dti**, 2005b:24).

Furthermore, SEDA is mandated by the **dti** to boost the SMME sector through its ISPESE, which is aimed at identifying factors that directly contribute to the success of the small business sector (Hutchinson, 2009:3).

C3.2 Main activities of the Integrated strategy on the promotion of entrepreneurship and small enterprises (ISPESE)

ISPESE provides a wide range of non-financial business development support services to entrepreneurs in the different phases of the entrepreneurial process

which include the pre-start-up, start-up and growth phases, as well as businesses in distress (**dti**, 2005a:ii).

This strategy seeks to ensure that adequate support and delivery mechanisms exist across the entire entrepreneurship continuum from pre-start-up to start-up, business survival, growth and expansion, and turnaround of ailing businesses (**dti**, 2004:4). This strategy is based on three strategic actions:

- Increase the supply for financial and non-financial support services
- Create a demand for small enterprise products and services
- Reduce small enterprise regulatory constraints

Furthermore, in this strategy it is noted that a clear understanding of the business's needs at different stages is critical to ensure survival, growth and expansion. Ultimately, government wants to develop and deliver appropriate products and services to respond adequately and timeously to those needs (**dti**, 2005b:32). This is reflected in the outcomes of the strategy.

C3.3 Outcomes of the Integrated strategy on the promotion of entrepreneurship and small enterprises (ISPESE)

A crucial barometer for success of ISPESE is the continued creation of new start-up firms by all segments of society and in all corners of the country resulting in the improvement of economic and social well-being of the poor communities (**dti**, 2005a:ii).

The implementation of the strategy will be monitored through targets set and achievements made on the following (**dti**, 2005a:38):

- Fostering an entrepreneurship culture and increasing enterprise creation rate
- Establish a dedicated network of SMME finance
- Demand created for small enterprise products and services
- Strengthening local network for small business development support services
- Improving small enterprise competencies and delivery capacity

- Strengthening enterprise networks
- Providing necessary support incentives
- Improving regulatory environment
- Entrepreneurship and small business research.

The integrated strategy sets the framework and outlines the principles underlying future government support and public-sector programme development. It will depend on the various role players (including current as well as evolving institutions) to apply those principles and to plan, negotiate and practically implement appropriate support programmes within the fundamental guidelines provided in this strategy document (**dti**, 2005b:25). This strategy appears to be in line with Stevenson and Lundström (2007:105) suggestion that policy measures to stimulate entrepreneurship must be aimed at the pre-start, the start-up and post-start-up phases of the entrepreneurial process.