DETERMINING THE IMPACT OF LEADERSHIP ON THE SUCCESS OF ENTREPRENEURS

By

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DECLARATION

I, Nomaswazi Mtshibe, hereby declare that:

- the work in this dissertation is my own independent and original work;
- all sources referred to have been documented and acknowledged; and
- this dissertation has not been previously submitted in full or partial fulfilment of the requirements for an equivalent or higher qualification at any other recognised educational institution.

__________________________________________
Nomaswazi Mtshibe

__________________________________________
Date

December 2013
ACKNOWLEDGEMENTS

Obtaining this degree is a dream come true. I wish to sincerely acknowledge and thank all those who committed their time and effort to provide me with support, advice, guidance and encouragement:

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And last but not least, my respondents, without whom this study would not have been possible.
Dedicated to my late father: an entrepreneur and a leader!
ABSTRACT

The Eastern Cape Province has been cited as the second poorest province in South Africa. The impact of entrepreneurship on the economy, with respect to socio-economic development, has placed increased pressure on entrepreneurs to operate effectively. Moreover, entrepreneurs are required to adopt and adapt to leadership practices that lead to business success.

Business success is largely dependent on the leader. The importance of this study may, thus, be attributed to the need for entrepreneurs to possess the necessary leadership attributes for the efficient running of a business.

The primary objective of this study was to improve the success rate of entrepreneurs in the Eastern Cape Province. This was done by determining the impact of selected leadership attributes on the success of entrepreneurs. More specifically, this study investigated how the success of entrepreneurs is influenced by leadership attributes (the dependent variable), namely, leadership style, vision, networking, risk-taking and ethics (the independent variables).

In order to achieve the research objectives, the researcher used the inferential statistical approach, specifically, hypothesis testing. The first step was to conduct a literature review on factors that influence entrepreneurs. This entailed the barriers to success, critical success factors, the impact of the SMME sector on the economy, as well as the selected leadership attributes. Secondly, the quantitative research method was used to assess the perceptions of entrepreneurs with regards to the influence of the leadership attributes on their businesses. This was done through an empirical survey, namely a self-administered questionnaire that was distributed to a sample of 100 entrepreneurs who are based in the Eastern Cape Province and have been operating for a minimum of three years. Out of the envisaged 100 respondents, 89 questionnaires were completed (89% response rate). The data obtained from the empirical survey was then analysed statistically and the descriptive statistics were presented by using graphs and tables.
The results of the empirical survey revealed that although all the above-mentioned independent variables contribute towards increasing the success rate of entrepreneurs, networking and ethics exert the most significant influence. Based on the findings of the literature review and the results of the empirical survey, this study made recommendations on areas of improvement for entrepreneurs in order to increase their success rate. Suggestions were also made for possible future research.
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CHAPTER ONE
INTRODUCTION

1.1 INTRODUCTION AND BACKGROUND

Leadership is a critical success factor for all businesses. Effective leaders are able to overcome the threats as well as to maximise the opportunities associated with businesses. Such capabilities are particularly crucial for the growth and development of entrepreneurs. Furthermore, entrepreneurship has the ability to relieve South Africa of some of its economic and socio-economic challenges.

The Eastern Cape Province is characterised by underdevelopment, high unemployment and high levels of poverty, where the majority of the population lives in rural areas. Despite the fact that it is the second largest province in South Africa, it is also the second poorest (Eastern Cape Socio Economic Consultative Council (ECSECC), 2011:15). Different and unequal experiences of poverty also exist within the province. This is partly as a result of urbanisation (Westaway, 2012:117, Momba, Tyafa, Makala, Broekaert and Obi, 2008:717). Armstrong, Lekezwa and Siebrits (2008:23) allude to the skewness of poverty in South Africa. It is mainly blacks, female-headed households, illiterate, unemployed and those individuals residing in rural areas such as the Eastern Cape who experience poverty the most.

According to a research commissioned by ECSECC (2011:15), the Eastern Cape Province confirmed its state of extreme poverty by obtaining the country’s highest ranking in the areas of net migration, poor facilities at schools and reliance on government grants as the main source of income. This is also due to the rurality of the province.

The South African government has made strides in alleviating poverty through the establishment of policies and formulating strategies. The Provincial Growth and Development Plan (PGDP) – Eastern Cape 2004 – 2014 (2003) places emphasis on, amongst other things, improving living standards, investing in education, creating jobs and developing small businesses. The Eastern Cape provincial government is also committed to the fight against poverty. The PGDP 2004 -2014 (2003) aims to increase the annual economic growth rate, halve the unemployment rate and achieve
an 80 percent reduction in the number of households who live below the poverty line by 2014. Linked with these priorities is the development of entrepreneurs as well as rural development.

The importance of entrepreneurship to the economy cannot be underestimated. Fielden and Davidson (2010:40) consider the development of entrepreneurs as the most crucial prerequisite for economic development. This prerequisite was further recognised by government through the development of a White Paper in 1995 that emphasised the importance of developing entrepreneurship and supporting small businesses (Department of Trade and Industry (DTI), 2013). Furthermore, the DTI developed a Micro, Small and Medium Enterprise Development (MSMED) plan in 2010 which aims to promote, support, strengthen and encourage the growth and development of Small, Micro and Medium Enterprises (SMMEs) (DTI, 2013).

The new white paper on the state of entrepreneurship that was released by Endeavour (2012) highlights the role played by entrepreneurship in social and economic development. Entrepreneurs innovate and create new competitive markets and businesses that lead to the creation of jobs. Thus, they have a multiplying effect on the economy. Kurakto (2007:6) confirms the importance of entrepreneurs to economic growth through their leadership, management, innovation, job creation, competitiveness and productivity.

As affirmed by Wagener, Gorgievski and Rijsdijk (2010:1518), strong leadership is a pre-requisite for the attainment of the required profits and business growth. Additionally, leadership is an inherent attribute for entrepreneurs. It is, however, also a competence that can be developed through training and practice.

Wang, Lee-Davies, Kakabadse and Xie (2011:21) maintain that it is the leader’s responsibility to drive the vision of the business through his followers. Additionally, it is to create a conducive working environment, set high performance standards and ensure the full participation of all followers. Likewise, Vecchio (2003:315) concurs that leadership entails the ability to motivate and inspire followers. Such characteristics emphasise the entrepreneur's ability to induce interest and articulate the vision of the business.
Entrepreneurs employ different leadership styles according to the situation on hand. A variety of skills are thus needed for different circumstances and to be used appropriately. As argued by Yildirim and Saygin (2011:6), the levels of competitiveness and performance of a business are largely attributed to the entrepreneur’s leadership style. Accordingly, effective leaders understand the challenges associated with entrepreneurship and are able to address these efficiently.

The business leader holds the responsibility of ensuring that the business achieves its targeted profits. This entails ensuring that the business remains competitive in the ever-changing business environment. Effectively applying the appropriate leadership style assists in creating a productive working environment for followers.

1.2 PROBLEM STATEMENT

The founder of an SMME, specifically the entrepreneur, tends to play various roles within the business. Efficient execution of these roles which are necessary for business success depends on the entrepreneur’s leadership capabilities.

Michaelides and Kardesi (2010:125) cite Schumpeter’s ‘Theory of Economic Development’ (Schumpeter, 1942:65), which states that entrepreneurs are unique individuals. This is because of their boldness to exploit possibilities. Furthermore, they have the capacity to play the role of an entrepreneur, inventor and investor at the same time. These authors view entrepreneurship as a circumstance of leadership. Entrepreneurs operate within certain constraints, but the actions and choices that they make to exploit opportunities epitomise those of a leader (2010:126).

Entrepreneurs who are effective leaders are better able to create and sustain successful businesses (Arham, 2011:abstract). Mahadea and Pillay (2008:434) add that managing a business into a successful venture requires a different set of skills that are more than merely those of initiating a business venture. This is because of the risks accompanied by growth. Likewise, Arthur and Hisrich (2011:25) are of the
view that entrepreneurs use their skills and ingenuity to survive. Such skills include risk-taking, creation, vision and boldness. Their ability to apply these skills differentiates them from non-entrepreneurs. Moreover, even though entrepreneurs have diverse backgrounds, characters and goals; they all have common skills and attributes. Such skills and attributes are common with those of leaders.

The ABSA SME Index (2012) reported that SMMEs are the largest contributors of jobs in the economy of any country. However, the ABSA SME Index further reports that 80 percent of new businesses fail during their first year, 60 percent during their second year, and 90 percent fail in their first 10 years of operation. This is a reflection of the courage needed to start a small business and stick with it in these current trying economic times.

A number of factors have been recognised as contributing to the failure of SMMEs. It is a possibility that this could also be due to a lack of leadership qualities. The aim of this research is to establish the impact of leadership on the success of entrepreneurs. An increase in the success rate of entrepreneurs would serve as a vehicle to alleviate poverty in the Eastern Cape Province. This research will therefore address the following issue:

**Determining the impact of leadership attributes on the success of entrepreneurs.**

### 1.2.1 Sub-problems

An analysis of the main problem leads to the identification of the following sub-questions that will be dealt with, and resolve, the main problem:

I. What does the literature reveal about the role of leadership and the critical leadership attributes required by entrepreneurs?
II. What is the role of SMMEs in the economy, and thus in alleviating poverty?
III. What is the current position of entrepreneurs in the Eastern Cape with regards to their leadership attributes?
IV. How do the leadership attributes of entrepreneurs in the Eastern Cape compare
with the leadership attributes discussed in the literature study?

1.3 RESEARCH OBJECTIVES

Kuratko and Hodgetts (2007, as cited in Kurakto, 2007:7) highlight leadership as one of the most crucial factors that will enable entrepreneurs to continue to contribute to economic growth. Likewise, Dafna (2008:310) argues that the leadership skills exercised by entrepreneurs result in innovations and organisational changes in their businesses. This in turn leads to the ability to influence employees and to spot market opportunities. The objective of this study was to determine the impact of leadership attributes on the success of entrepreneurs, and to determine what recommendations can be made to effectively employ these leadership attributes.

1.3.1 Primary objective

The primary objective of this study was to identify and analyse how leadership can serve as an intervention to influence entrepreneurs in order to increase the success rate of SMMEs in the Eastern Cape. More specifically, this study investigates the impact of leadership attributes (as measured by leadership style, networking, vision, risk-taking and ethics) on the success of the selected entrepreneurs.

1.3.2 Research design objectives

In order to achieve the above-mentioned objectives, this study pursued the following research design objectives:

I. A literature review was conducted in order to gather information regarding the variables that are being investigated.

II. A questionnaire was constructed in order to collect data on the leadership variables necessary for entrepreneur success.

III. A pilot test was conducted on a group of seven participants in order to test and improve the questionnaire.

IV. Upon finalisation of the questionnaire, ethics clearance was sought from the Nelson Mandela Metropolitan University’s ethics committee.

V. The questionnaire was distributed to a sample of 100 entrepreneurs in the Eastern Cape.
VI. The data collected through the questionnaire was analysed with the assistance of a statistician from the Nelson Mandela Metropolitan University;

VII. The results of the literature and empirical surveys were integrated and analysed to develop recommendations.

1.4 SIGNIFICANCE OF THE STUDY

It is anticipated that the entrepreneurs of the Eastern Cape Province will take note of the recommendations made in this paper and take the necessary measures to adopt and practise the leadership traits and activities that will lead to the success of their businesses.

1.5 METHODOLOGY OF THE STUDY

Denzin and Lincoln (1994:107) state that a paradigm can be seen as a set of basic beliefs in that their acceptance is based mainly on faith and their ultimate truthfulness cannot be established. Guba and Lincoln (1994:109) further define a paradigm as a basic belief system or world view through which an investigation is guided.

There are two types of research paradigms that one can distinguish between, namely the positivist/quantitative and the interpretivist/qualitative paradigms. Collis and Hussey (2009:63) explain that the data collected in a positivist study tends to be quantitative and/or qualitative. However, the data collected in the interpretive paradigm is qualitative and is seldom statistically analysed.

Denzin and Lincoln (1994:109) define a qualitative study as a multi-method focus whose subject matter involves an interpretive approach as researchers interpret phenomena in terms of the meanings brought by the individuals and how they live. Cresswell (1998:155) extends this definition by stating that it is an inquiry process that is conducted in a natural setting with the aim to understand a social or human problem through forming words to build a complex, holistic picture and reporting detailed views of informants.

Angen (2000:378) emphasises that the careful consideration and articulation of the research question, the interpretations made by the researcher as well as evaluating
how widely disseminated the results are, are some of the evaluation criteria from an interpretivist research perspective. Becker (1996:55) states that a qualitative researcher is able to find out about the respondents’ lives and activities through observations, informal and formal interviews, or by giving them questionnaires.

Descartes (1998:3) argues that the best way to generate knowledge about reality is through reason and the understanding of the order and interconnectedness of events which make reality ordered and deducible. The positivist paradigm asserts that real events can be explained logically and that the researchers’ knowledge claims must be consistent with the obtained information. This involves the application of critical judgement and the usage of multiple measures, samples, designs and analyses to investigate multiple research questions and understand a phenomenon (Descartes (1998:11). Coll and Chapman (2000:4) clarify that knowledge discovery and verification is done through direct observation or phenomena measurement, and that researchers in this paradigm are independent of the world they study. Theories that can be tested are postulated by using deductive reasoning.

The objective of this research study was to determine the impact of leadership attributes on the success of entrepreneurs. The aim was to identify the factors of entrepreneurship and the role played by leadership attributes in the running of SMMEs. The quantitative research method was used in this study and is further discussed in Chapter Three of this study.

1.5.1 The sample

For the purposes of this study, questionnaires were distributed to a sample of 100 entrepreneurs who have been operating for more than three years and are based in the Eastern Cape Province. Convenience sampling was used to select these entrepreneurs. The questionnaires were distributed by hand to the selected respondents. Each respondent was guaranteed confidentiality and anonymity. The final sample and the sampling design are further discussed in Chapter Three of this study.
1.5.2 The questionnaire

In order to achieve the desired outcome, secondary literature from books, journals, databases, theses and dissertations related to the research problem was obtained from the online NMMU library. The Internet and databases such as EBSCOhost were also used. This secondary literature was used to construct a questionnaire which encompassed the following variables:

I. Leadership style  
II. Vision  
III. Networking  
IV. Risk-taking  
V. Ethics

Babbie (2012:282) states that in order to determine the extent of the respondents’ perspectives, a questionnaire should contain as many statements as questions. De Vos, Strydom, Fouche and Delport (2007:25) further emphasise that the objective of a questionnaire is to obtain facts and opinions about a phenomenon from informed people. The purpose of the questionnaire was to inquire whether entrepreneurs practise or possess the identified leadership attributes. This was used to determine the role played by leadership in the success of the entrepreneurs’ SMMEs.

The questions in the questionnaire were drawn up using a five-point Likert scale, ranging from, strongly disagree (5), to disagree (4), to neutral (3), to agree (2), and to strongly agree (1). The questionnaire is further discussed in detail in Chapter Three of this study.

1.6 HYPOTHESES

Through the results obtained from this research the author will be able to make the necessary recommendations to enhance the leadership attributes of entrepreneurs in the Eastern Cape. The purpose of conducting a hypothesis evaluation is explained by Evans (2007:161) as to seek evidence in order to decide on whether the formulated hypothesis can be accepted or whether it should be rejected. In order to achieve the research objectives of this study, the following hypotheses were
formulated. Each null hypothesis, denoted by $H_0$, has an accompanying alternative hypothesis, denoted by $H_1$. If the null hypothesis is found to be unacceptable, then it must be rejected. Therefore, the alternative hypothesis is thus accepted.

$H_1 =$ Leadership style does exert an impact on the success of entrepreneurs.
$H_{01} =$ Leadership style exerts no impact on the success of entrepreneurs.

$H_2 =$ Vision does exert an impact on the success of entrepreneurs.
$H_{02} =$ Vision exerts no impact on the success of entrepreneurs.

$H_3 =$ Networking does exert an impact on the success of entrepreneurs.
$H_{03} =$ Networking exerts no impact on the success of entrepreneurs.

$H_4 =$ Risk-taking does exert an impact on the success of entrepreneurs.
$H_{04} =$ Risk-taking exerts no impact on the success of entrepreneurs.

$H_5 =$ Ethics do exert an impact on the success of entrepreneurs.
$H_{05} =$ Ethics exert no impact on the success of entrepreneurs.

Collis and Hussey (2009:63) describe a hypothesis as an idea or proposition that is developed from the theory. It is tested by using statistics. Taking into account the variables of this study, Figure 1.1 illustrates the attributes used to test the above-mentioned hypotheses.

**Figure 1.1 The hypotheses – A model to determine the impact of leadership attributes**

Source: Hypotheses developed by researcher
As mentioned, this study will use an inferential statistical approach to achieve the research objectives. This approach is referred to as hypothesis testing. According to Wegner (2010:256), hypothesis testing is an approach of inferential statistics that uses sample evidence to test the validity of a claim made about the true value of a population parameter. In other words, it is a rigorous process of testing how close a sample statistic is to the hypothesised population parameter. To conduct the test, sample data is gathered and analysed. The empirical findings then form the basis as to whether the hypothesised value of the population parameter is accepted or rejected. The central location value of a sampling distribution is the population parameter’s hypothesised value. The hypothesised population parameter is more likely to be true when the sample statistic lies closer to the central location value of the sampling distribution. Conversely, it is more likely to be false when the sample statistic lies further from the central location value of the sampling distribution (Wegner, 2010:256).

This study formulates the following statistical hypothesis:

Claim: \( p \leq 0.05 \)

\( H_0: \ p \leq 0.05 \)

\( H_1: \ p > 0.05 \)

The decision rule is: Reject \( H_0 \) at 5% significance level, if \( p < 0.05 \).

The null hypotheses can be either ‘rejected’ or ‘not rejected’, but never ‘accepted’. If it is rejected, the alternative hypotheses can be accepted. If the statistical evidence reveals that the true population parameter is significantly greater than the value of the null hypothesis, then the null hypotheses will be rejected in favour of the alternative hypothesis. This study will reject the null hypothesis in favour of the alternative hypothesis if the p-value on the t-test is equal to or less than 0.05. Therefore it will be accepted that leadership attributes do have an impact on the success of entrepreneurs.

1.7 DELIMITATION OF THE RESEARCH

There are no official documents that provide the total number of entrepreneurs within the Eastern Cape Province. Moreover, the organisations whose mandate is to deal
with entrepreneurs could not release any details or the databases of their entrepreneurs due to confidentiality agreements between the parties.

1.7.1 Geographical demarcation of study

This study made use of national and international research literature related to leadership and entrepreneur success as well as barriers to such success. However, SMMEs from around the Eastern Cape who have been in operation for a period between three and 15 years were the main focus of this study.

1.7.2 Subject of evaluation

The field of leadership attributes will be divided as follows:

I. Leadership style
II. Vision
III. Networking
IV. Risk-taking
V. Ethics

1.8 DEFINITION OF SELECTED CONCEPTS

Concepts used in this study will be defined as follows:

1.8.1 Entrepreneurship

Kurakto (2007:3) defines entrepreneurship as:

A dynamic process of vision, change and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks—in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal the needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognise opportunity where others see chaos, contradiction, and confusion.
1.8.2 Entrepreneur

Timmons and Spinelli (2007:20) describe an entrepreneur as follows:

At the heart of the entrepreneurial process is the founder: the opportunity seeker, the creator and initiator; the leader, problem-solver, and motivator; the strategiser and guardian of the mission, values, and culture of the venture. Without this human energy, drive, and vitality, the greatest ideas – even when they are backed by an overabundance of resources and staff will fail, grossly underperform, or simply never get off the ground. The difference lies in the intangibles: creativity and ingenuity, commitment, tenacity and determination, a passion to win, leadership and team-building skills.

1.8.3 Leadership

Arthur and Hisrich (2011:8) define a leader as one who is a visionary, risk-taker, team-builder, problem-solver and one who has a passion for their ideas, perseveres, recognises opportunities and needs, and gives back. Entrepreneurial leadership is in essence the possession of the abovementioned qualities.

1.8.4 Small, Medium and Micro Enterprise

The National Small Business Act (Act 102 of 1996) (RSA, 1996) defines a small business as ‘a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more…and which can be classified as a micro, a very small, a small or a medium enterprise’.

Vecchio (2003:319) maintains that SMMEs move through sequential stages of growth. Such stages include identifying the perceived business opportunity, resource acquisition, product or service delivery and responding to forces that are internal and external to the business.

The South African Qualifications Authority (SAQA) (2004:11) further classifies this definition according to the following Table:
Table 1.1 SMME classifications

<table>
<thead>
<tr>
<th>Type</th>
<th>Employees (Max)</th>
<th>Annual Turnover (R million)</th>
<th>Gross asset value (excl fixed property, in R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survivalist</td>
<td>0</td>
<td>Varying</td>
<td>0</td>
</tr>
<tr>
<td>Micro</td>
<td>5</td>
<td>0.15</td>
<td>0.1</td>
</tr>
<tr>
<td>Small</td>
<td>50</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Medium</td>
<td>200</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: SAQA (2004:11)

1.9 IMPORTANCE OF THE STUDY

Despite the strides made by government through training, financial assistance and incentives to develop and support SMMEs, the failure rate of these entities is high. In comparison to other countries that are at a similar developmental level, South Africa’s Total Entrepreneurial Activity (TEA) is rather low. It was reported at 9.1 percent, while Brazil and China showed a TEA of 14 and 23 percent respectively (Global Entrepreneurship Monitor, 2011:16). This, however, does not deter entrepreneurs from taking the risk of starting a business, thus rewarding the country with new jobs, income, products and services.

It has been projected that by 2015 there will be three billion people under the age of 25 worldwide, the majority of whom will be unemployed. Entrepreneurship is seen as the solution to such a challenge (Frost, 2008). Furthermore, entrepreneurship is crucial to new market economies, technological change and productivity growth.

The results of this study will assist in the effective development of SMMEs, which will thus reduce the gap between informal and formal employment, assist in the development of formal sustainable businesses and generate significant economic benefits for the country as a whole. This will be achieved through increasing the success rate of SMMEs by strengthening the leadership qualities of entrepreneurs.
1.10 STUDY OUTLINE

This study is divided into five chapters. Chapter One aims to provide an overview of the study through outlining the problem statement, research objectives, methodology undertaken, the measuring instruments used as well as definitions of some concepts. Chapter Two entails a comprehensive literature review on the SMME sector, its challenges, success factors and its role in the South African economy. Furthermore, it explores the leadership styles and attributes that are necessary for entrepreneurs to succeed in the SMME sector.

Chapter Three comprises of the hypothesised model of increasing the success of entrepreneurs. The research methodology that was used to conduct the investigation is also outlined. This includes the sampling design, research paradigm and the measuring instruments.

Chapter Four provides an analysis and a summary of the findings from the empirical study.

The conclusion and the researcher’s recommendations for future research will be discussed in the final chapter, Chapter Five.
CHAPTER 2
LITERATURE REVIEW

2.1 INTRODUCTION

As recognised by the Department of Trade and Industry (DTI) (2013), the prosperity of a nation may be reflected in the success of its Small, Micro and Medium Enterprise (SMME) sector. The importance of the South African SMME sector was acknowledged by government through the development of a White Paper in 1995. It emphasised the importance of developing entrepreneurship and supporting small businesses (Republic of South Africa, 1995). Likewise, the Department of Trade and Industry (DTI) developed a Micro, Small and Medium Enterprise Development (MSMED) plan in 2010 which aims to promote, support, strengthen and encourage the growth and development of SMMEs (DTI, 2013). The sector plays a dynamic role in positioning SMMEs as engines of economic growth by creating employment opportunities, generating higher volumes of production, increasing exports and introducing innovation and entrepreneurship skills (National Credit Regulator, 2011:51).

The current global financial crisis has resulted in an increased need for interventions resulting in financial stability, employment and economic development. This has placed increased pressure on entrepreneurs to create new ideas and bring these ideas to the market. Creativity and innovation cannot function in isolation; they need to be coupled with responsibility, integrity and the ability to see the bigger picture (Broberg and Krull, 2010:58). Kurakto (2007:1) affirms the importance of entrepreneurs to economic growth through their leadership, management, innovation, job creation and competitiveness. Moreover, entrepreneurship is crucial for new market economies, technological change and growth of productivity.

Marsh (2012:20) acknowledges the high rate of SMME failure, especially in the start-up stages. Consequently, Marsh is of the view that leadership plays a significant role in driving the success of a business. Such a role includes sharing the vision of the business and motivating and empowering employees to think and make strategic decisions for the business. Likewise, Wang and Poutziouris (2010:331) expound that entrepreneurs need to play the role of the manager as well as that of the owner.
Owners are obligated to honour certain ownership responsibilities which include, amongst others, employing competent staff and paying taxes, while a manager’s objective is to merely achieve the business goals and priorities such as making a profit. The ability to maintain this balance and the subsequent success of the business relies heavily on the owner-manager’s leadership style.

Starting a business is in itself a risk. Obisi and Anyim (2012:132) concur that leaders drive the success of a business. Furthermore, leadership provides a favourable environment for entrepreneurial growth.

The aim of this chapter is to analyse factors that hinder the growth and development of SMMEs, as well as those that contribute towards their success. More importantly, the leadership styles and traits necessary for entrepreneurial success will also be discussed.

2.2 SMME SECTOR

The South African Department of Labour uses the acronym SMME for a Small, Micro and Medium Enterprise, as well as the acronym SME for a Small and Medium Enterprise. The two acronyms are generally used interchangeably. In order to define the category of each enterprise, SMMEs are classified based on; total number of employees, total turnover and total gross asset value. This is specified in the National Small Business Act (Act 102 of 1996) (RSA, 1996:12–14) which was later amended in the National Small Business Amendment Act (Act 26 of 2003). It provides definitions for the various SMME categories per sector of the South African economy (RSA¹, 2003:7–8). This is depicted in Table 2.1.

SMMEs are diverse with businesses ranging in size, needs and markets in which they operate. Some businesses operate merely for the purpose of owner survival while others are operated by individuals with an entrepreneurial flair. Endeavor (2012) suggests that this is the underlying reason as to why some remain start-ups for years whilst others grow at a rapid pace.
Table 2.1 SMME sector classifications

<table>
<thead>
<tr>
<th>Sector or sub-sectors</th>
<th>Size of class</th>
<th>Total full-time equivalent of paid employees</th>
<th>Total turnover (Rm)</th>
<th>Total gross asset value (excluding fixed property)(Rm)</th>
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<tbody>
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<td></td>
<td>Very Small</td>
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<tr>
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<td>Micro</td>
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<td>23</td>
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<td>Small</td>
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<td></td>
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<td></td>
<td>Small</td>
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<td></td>
<td>Micro</td>
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<td>Electricity, Gas and Water</td>
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<td></td>
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<td>0.20</td>
<td>0.10</td>
</tr>
<tr>
<td>Construction</td>
<td>Medium</td>
<td>200</td>
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<tr>
<td>Retail &amp; Motor Trade and Repair services</td>
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<td>Micro</td>
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<td>0.10</td>
</tr>
<tr>
<td>Transport, Storage and Communications</td>
<td>Medium</td>
<td>200</td>
<td>26</td>
<td>6</td>
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<td>Small</td>
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<td>0.20</td>
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</table>
Table 2.1 continued

<table>
<thead>
<tr>
<th>Sector or sub-sectors</th>
<th>Size of class</th>
<th>Total full-time equivalent of paid employees</th>
<th>Total turnover (Rm)</th>
<th>Total gross asset value (excluding fixed property) (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
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<td>10</td>
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<td></td>
<td>Small</td>
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<td>Very Small</td>
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<td></td>
<td>Micro</td>
<td>5</td>
<td>0.20</td>
<td>0.10</td>
</tr>
<tr>
<td>Catering, Accommodation and other Trade</td>
<td>Medium</td>
<td>200</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Small</td>
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<tr>
<td>Transport, Storage and Communications</td>
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<td></td>
<td>Micro</td>
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<td>0.20</td>
<td>0.10</td>
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<tr>
<td>Finance and Business Services</td>
<td>Medium</td>
<td>200</td>
<td>26</td>
<td>5</td>
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<tr>
<td></td>
<td>Small</td>
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<td></td>
<td>Micro</td>
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<td>0.20</td>
<td>0.10</td>
</tr>
<tr>
<td>Community, Social and Personal Services</td>
<td>Medium</td>
<td>200</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Small</td>
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<td></td>
<td>Micro</td>
<td>5</td>
<td>0.20</td>
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</tr>
</tbody>
</table>

Source: Republic of South Africa (2003:7-8)

The National Small Business Amendment Act further provides the following detailed description of SMMEs as per each category:

- **Survivalist enterprises**: This pre-entrepreneurial category generates less than the minimum income standard or the poverty line. It includes hawkers, vendors and subsistence farmers (Survivalist enterprises are often included in the micro-enterprise sector).
• **Micro enterprises:** These enterprises are usually not registered and generate an annual turnover that is less than the VAT registration limit (that is, R150 000 per year). They include spaza shops, minibus taxis and household industries. They employ a maximum of five people.

• **Very small enterprises:** These are registered enterprises in the formal market and have access to technology. In the agricultural sector, they have a maximum of 10 paid employees and 20 in other sectors.

• **Small enterprises:** The small enterprises display more complex business practices and are generally more established than very small enterprises. A maximum of 50 people are employed.

• **Medium enterprises:** The maximum number of employees is 100 for the agricultural sector, and 200 for all the other sectors. These enterprises are often characterised by the decentralisation of power to an additional management layer (RSA, 2003:7-8, Bingwen, 2010:20).

The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) (2011) places the SMME sector at the forefront of local economic development. It is particularly important in transition economies such as South Africa because of the contribution made to employment, income and societal changes. Nazir (2012:278) highlights the relationship between necessity entrepreneurship and opportunity entrepreneurship. The former occurs when a person is forced by circumstances to start a business, while the latter is as a result of a perceived business opportunity.

Since the transformation of South Africa into a democratic country in 1994, several strides have been made by the government to strengthen the economy. Kesper (2011:175) cites the development of entrepreneurs in order to enhance the country’s productivity and international competitiveness and to increase wage levels and investment. SMMEs have thus been viewed as the vehicle for a number of purposes. These include:
• Reduce unemployment due to the SMME capacity to absorb high labour.
• Activate domestic and increase international competitiveness by creating marketing niches in response to market demand.
• Redress the legacies of apartheid by addressing the patterns of economic ownership and limited career and business opportunities for the black population.
• Contribute to black economic empowerment through increased ownership of businesses (Kesper, 2011:175).

Despite the government’s endeavours to support the sector, SMMEs have encountered several challenges. The agencies responsible for their development have not been able to develop a majority of the businesses adequately. Perks (2010:221) expounds that very few businesses achieve substantial growth in the first four years, while only two out of every five small businesses survive six or more years. This is partly due to the entrepreneurs’ lack of a growth mindset as they associate growth solely with profitability and sales.

The Global Entrepreneurship Monitor (GEM) (2011:4) report revealed that South Africa’s entrepreneurial activity ranks low when compared to other developing countries. The country’s Total Entrepreneurial Activity (TEA) was rated at 9.1 percent. It further reported a nascent entrepreneurship rate of 5.2 percent, four percent new firm activity rate and an established business owner-managers rate of 2.3 percent. Madichie (2011:48) suggests that these results indicate that the majority of those who start a business in South Africa are motivated by ‘necessity’ rather than ‘opportunity’. This is indicated by the high-failure rate among start-ups. A study conducted by Clark (2012) of the Personal and Business Banking Department of Standard Bank revealed that almost two-thirds of businesses fail within the first two years.

Entrepreneurs are responsible for the establishment and growth of enterprises of various sizes, especially small businesses. This, therefore, makes the low TEA level in South Africa a major concern. South Africa’s unemployment rate, as reported by Ngwenya (2012:195), based on the labour market of people who are not employed, actively looking for work and are between the ages of 15 and 64, is estimated at 25
percent. The rate however increases to 34 percent when those people who have become discouraged and stopped looking for work are included.

The SMME sector serves as a vehicle for economic and soci-economic development. However, ‘necessity’ entrepreneurship has been acknowledged to dominate the South African SMME sector. Accordingly, the low TEA level signifies limited growth beyond the start-up stages.

2.2.1 SMME growth stages

The former president of South Africa, Thabo Mbeki, once stated ‘gloom and despondency have never defeated adversity. Trying times need courage and resilience. Our strength as a people is not tested during the best of times...’ (African National Congress, 2008). Entrepreneurs need to remain cognisant of the fact that any form of change will be accompanied by challenges. Such change includes the growth and development process of the business. Successful entrepreneurs are those who identify opportunities among the obstacles and do not despair in the face of crisis.

2.2.1.1 Greiner Growth Model

The ‘Greiner Growth Model’ depicts the lifecycle stages of a business, in particular SMMEs. It describes six phases of growth, comprising calm periods of development and growth. Importantly, it also acknowledges the type of crisis attached to each growth stage (Greiner, 1998:5). Parfenova and Mikneus (2012:14) indicate that as the business overcomes each crisis it proceeds to the next stage of growth. As a result of the numerous resources required to run a business and the challenges encountered within the growth process, it may happen that a business finds itself at multiple stages at one time. It is the responsibility of the entrepreneur to stabilise the business in order to proceed to the next stage and achieve growth. Figure 2.1 illustrates Greiner’s Growth Model.
The stages are further explained as follows:

I. Phase 1: Start-up and early growth/creativity – This is the stage of high creativity and describes the formation of the business. The emphasis is on creating a product and opening up markets. There are no formal employee roles. Towards the end of this stage the lack of a professional management and formal structure proves to be a crisis.

II. Phase 2: Growth through direction – Direction is clearer as new management is adopted, thus growth continues. Formal methods of communication and budgets are implemented. Additionally, management activities are divided into discreet activities such as marketing and production. Crises occur when the owner is unable to let go of responsibilities and trust other employees who may join the business. It is also important to ensure that the right people are employed to ensure continued growth.
III. Phase 3: Growth through delegation - Top management (the owner) needs to allow and trust lower-level managers/employees to make decisions. Top management (the owner) will therefore focus on strategic business development while employees focus on product and market expansion. Growth occurs but the crisis arises when top management feels they are losing control as they are no longer making the decisions and there are no management information systems in place. Strategic directions become inconsistent and communication struggles.

IV. Phase 4: Growth through Coordination – Operations begin to be centralised. This however leads to the ‘red tape’ challenge where bureaucracy develops and complex procedures are prioritised over issues of innovation.

V. Phase 5: Growth through collaboration – this stage concerns developing a simplified structure, thereby reinventing the entire business. Due to the difficulty of reducing the bureaucracy in order to make way for innovation, not many businesses reach this transformation stage.

VI. Phase 6: Growth through alliances – Growth continues through merger, outsourcing, networks and associations with other companies. The challenge is to identify methods of accessing the required external support and expertise (Parfenova and Mikneus, 2012:14, Greiner, 1998, 3-12).

The above section has outlined aspects of the SMME sector. These range from the categorisation of the businesses within this sector and a view of the related statistics. The stages involved in the transformation of a business, from a start-up venture to a well-established enterprise, were also discussed. The following section will discuss the barriers as well as the success factors that influence the growth and development of SMMEs.

2.3 BARRIERS TO THE SUCCESS OF SMMEs

The South African SMME sector is not as competitive nor as productive as the country would envisage it to be (DTI, 2013). A number of reasons have been cited for the high failure rate of SMMEs. The rates are an indication that barriers to the
success of SMMEs do exist. The GEM (2002, cited in Co, 2003:40) reported on the negative impact of the general South African culture towards Black entrepreneurship. The legacy of apartheid, including discrimination and barriers to entrepreneurship, has produced a culture of entitlement and dependency. Pro-activity and initiative to establish own businesses have been reduced. Thus, according to the GEM report, most Black South Africans would rather rely on ‘hand-outs’ that ‘belong to them’, than to strive for a better life by creating opportunities for it. Conversely, Co (2003:42) considers a culture that does not promote entrepreneurship to influence a person’s decision to become one. As a result, South Africa has a richer history of successful Black lawyers, accountants and politicians than successful entrepreneurs. Co adds that they would rather study and obtain jobs than become entrepreneurs and create jobs. This results in a lack of entrepreneurial role models.

Even though increased rates in perceived entrepreneurial opportunities and societal attitudes were reported eight years later in the GEM report (2011:5). South Africa’s TEA rate still remains low. According to Bruwer (2012:5384), the success rate of South African SMME’s is estimated between 20 and 30 percent. In 2009, an estimated number of 10 000 business were closing each month.

In addition, Freiling and Laudien (2013:3) maintain that SMMEs face several obstacles and disadvantages such as being new and small in their industries. The entrepreneurs believe their ideas and skills are sufficient prerequisites for SMME success. However, the tendencies to overestimate their own skills and competencies often lead to failure. The following section will discuss some factors that lead to the failure of SMMEs.

2.3.1 Management Skills

Many start-up businesses fail due to the entrepreneurs’ lack of business management skills. The owner’s inability to identify challenges that could lead to the downfall of the business, or the opportunities available for further growth, increase the business’ risk of failure. Furthermore, where knowledge of managing a business in a competitive market is limited or there is a lack of appreciation of business fundamentals, the SMME’s chances of survival will be reduced (Parfenova and Mikneus, 2012:16).
Abor and Quartey (2010:224) associate business management with responsibilities such as identifying a product and a market, acquiring property rights or licenses where applicable and keeping up-to-date financial and operational records. These activities are fundamental to the effective running of a small enterprise. Failure to fulfil any one of them will have detrimental effects regardless of the amount of finance owned by the business.

Strategic management is also essential for the ever-changing business environment. Bingwen (2010:28) declares the need for the entrepreneur’s business vision to be flexible and easily adaptable to such changes. Subsequently, the manager needs to be certain of the business’ current position, where it needs to go and how it will get there. Moreover, even though entrepreneurs often have good ideas, competence and vision for their businesses, the inability to manage a business venture serves as an obstacle in successfully transforming their ideas into valuable products or services. Such a constraint stifles the growth and possible future expansion of the SMME, and thus ultimately resulting in a collapse.

Olawale and Smit (2010:1787) emphasise the need for entrepreneurs to constantly strive for personal development through training. This is more crucial in the areas of business and financial management. Furthermore, entrepreneurs should get involved in gathering the business plan information and in the writing thereof.

The manager’s lack of knowledge about international markets and managerial risk perceptions prevents the SMME from exploring international trade opportunities. The Organisation for Economic Co-operation and Development (OECD) (2009:7) identified the lack of management skills among the barriers to SMMEs venturing in national and international trade.

Management skills are fundamental to the effective running of a business. Business management not only entails making money and updating the financial records. The growth of a business relies on the ability of the entrepreneur to foresee and act upon the identified business opportunities. Entrepreneurs should not have a myopic view. Such opportunities may arise nationally or abroad. This also includes taking the necessary steps to be pro-active in addressing current and future challenges. Proper
planning and strategic alignment strengthens the business’ chances of growth, expansion and survival.

2.3.2 Guidance and mentoring

The role of government and investment firms is especially large in the start-up stages where the entrepreneurs seek assistance in writing business plans, producing prototypes, renting facilities and other activities involved in starting a business (Parfenova and Mikneus, 2012:16).

Support from others influences the success of entrepreneurs. This support can be either formal or informal. A challenge faced by entrepreneurs is not having someone to talk to when they seek guidance or advice. Perks (2010:221) maintains that different types of expertise is needed at the various stages of the business. Entrepreneurs need a mentor or a guide who will assist them in advancing to the next level of the business. Makhbul and Hasun (2011:117) make an example of Chinese entrepreneurs in Hong Kong who engage in the practice of ‘familism’ which unites the entrepreneurs and consequently forms entry barriers for any other entrepreneurs who are not part of the ‘family’. This practice involves the role of kinship ethnicity and territorial background, thus enabling the entrepreneurs to excel in their businesses.

Ward and Kiruswa (2012:15) report on successful women who have attained leadership positions by having mentors. The benefits of having a mentor include protection, undertaking challenging tasks, counselling, coaching, friendship, exposure and having a role model.

The creation and provision of a more enabling environment is just as imperative in guiding entrepreneurs. According to Madichie (2011:45), an enabling environment assists in reducing the costs of running a business, thus improving SMME sustainability. Moreover, access to resources, infrastructure and purchasing power are critical in attaining a vibrant entrepreneurial culture. Incubators provide an enabling environment. This is through their offered services, namely, office space, business advice, and mentoring and skills development workshops.
The global competitive environment requires that an entrepreneur has a mentor that they can look up to for guidance and support. Entrepreneurs, especially at start-up stages, need to be nurtured. The government, well-established entrepreneurs, leaders in business and other organisations are essential to transfer their knowledge, skills and experience. Friends and family can also play an active role. These stakeholders can provide the necessary assistance to transform the entrepreneurs’ ideas into viable products or services. As the SMME matures, the needs also change. It is thus essential that an enabling environment is provided so that entrepreneurs can explore, as well as adapt to, the conditions accompanied by growth.

2.3.3 Entrepreneurial flair

Due to scarce job opportunities, many SMMEs venture into a business solely for the purpose of making an income. Such business owners are thus not proactive enough to identify opportunities in the market and align their strategies with such opportunities. South African entrepreneurship icon, Raymond Ackerman, once said ‘money should not be the main motivating factor in starting a business. People should go into business to work on something they enjoy and the money will follow’ (Endeavor, 2012).

Bruwer (2012:5383) emphasises the importance of an entrepreneurial mindset for the success of any business in today’s economy. This includes being goal-oriented, self-disciplined, having a strong personal inner drive and the passion to pursue opportunities.

It should be borne in mind that entrepreneurs operate in uncertain and ambiguous conditions. This requires self-discipline, tenacity and a strong inner drive to push their ideas forward and seize opportunities. It is in the entrepreneur’s nature to take risks and not fear failure but rather view it as another business challenge towards further opportunities (Allen and Economy, 2008). Likewise, Gill, Biger, Mathur, Shan and Bhutani (2010:2) associate entrepreneurial intensity with the commitment for growth through the willingness of the individual to be proactive and take risks. Ownership of such characteristics distinguishes entrepreneurship from small business ownership.
Necessity entrepreneurs usually have no aspirations of business growth or expansion. They venture into business for the sole purpose of making an income. This contributes significantly to the SMME failure rates. As mentioned above, entrepreneurs need to possess certain characteristics in order to succeed. Money should not be the only driving factor.

2.3.4 Access to finance

In 2006 the government identified strengthening access to finance for entrepreneurs as one of its core strategic focus areas. This is reflected in the DTI's Integrated Small Enterprise Development Strategy which identified improving access to finance, skills and training and more flexible regulations as key elements needed to achieve the three pillars of promoting entrepreneurship, namely; strengthening the enabling environment, enhancing competitiveness and enhancing capacity (Department of Trade and Industry, 2013).

The growth and survival of SMMEs is highly dependent on finance. The norm amongst banks and other financing institutions is that businesses need to have a good track record and show potential for success in order to be granted a loan. Swanepoel, Strydom and Nieuwenhuizen (2010:73) revealed that the primary source of funds used by SMMEs, in particular start-ups, was the owners' savings and income, while the secondary source was personal networks, namely friends, family, institutions or venture capitalists. The following reasons were identified for banks' reluctance to provide finance to SMMEs:

I. High risk of defaulting
II. High costs of screening applicants without collateral
III. Low returns
IV. Language, socio-economic and cultural barriers (Swanepoel et al., 2010:73).

Mahadea and Pillay (2008:433) concur that access to banking services is even more limited for new and small businesses, entrepreneurs from previously disadvantaged areas or business owners with weak credit histories. Financial institutions view small businesses as high-risk ventures as they usually have little or no collateral. The administration costs of lending to such businesses are often higher than the loan itself. Hence the only alternative is to seek finance from friends, family or informal
lenders. Consequently SMMEs are unable to fully conduct business or to expand their businesses further.

Challenges of access to funding from both public and private sector are more evident once a business has been established and is ready to operate. This is the new venture creation stage. Lekhanya (2010:25) cited lack of relevant entrepreneurial or business experience by the owner and any associates, marketing deficiencies, and flawed, incomplete or unrealistic financial projections as the reasons stated by investors for their reluctance to fund small businesses.

Research adopted by the National Credit Regulator (NCR) (2011:9) to assess the level of access to credit by SMMEs confirmed that finance was indeed a challenge. The study divided the SMME sector into formal and informal categories. The formal category comprises of registered SMMEs with a bank account. The informal category simply trades informally. They are not registered and are therefore completely excluded from the formal financial market. The statistics were obtained from the FinScope South African Small Business Survey 2010 (2011). It is a survey conducted by the FinMark Trust whose purpose is to promote financial inclusion and regional financial integration so that the poor have access to financial markets. Table 2.2 illustrates the results of the research.

Table 2.2 below indicates the country’s total financing gap, that is the difference between the total number of SMMEs and those who obtain financial support. It was revealed that only 17.3 percent of SMMEs in South Africa are registered with CIPC and have a bank account. However only 27.3 percent of them are granted finance by the financial sector upon application. On average, 84.4 percent SMMEs operate informally, hence they do not meet the structural requirements and are excluded. The total financing gap is therefore estimated at 46.1 percent of all SMMEs (both formal and informal) (National Credit Regulator, 2011:9).
Table 2.2   SMME financing gap

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of SMMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total SMEs</td>
<td>5 979 510</td>
</tr>
<tr>
<td>Registered SMEs (Formal): 17.3%</td>
<td>1 034 455</td>
</tr>
<tr>
<td>Average applying for a loan: 84.4%</td>
<td>873 080</td>
</tr>
<tr>
<td>Average loan application success rate (Formal): 33.2%</td>
<td>343 439</td>
</tr>
<tr>
<td>Those who receive funds after successful application 27.3%</td>
<td>93 759</td>
</tr>
<tr>
<td>Financing Gap</td>
<td>779 321</td>
</tr>
<tr>
<td>Total Informal: 41.8%</td>
<td>2 334 439</td>
</tr>
<tr>
<td>Less: Informal served (15.3%)</td>
<td>357 169</td>
</tr>
<tr>
<td>Total Financially Excluded</td>
<td>1 977 270</td>
</tr>
<tr>
<td>Total Financing Gap (Formal and Informal) (46.1%)</td>
<td>2 756 591</td>
</tr>
</tbody>
</table>

Source: National Credit Regular (2011:9)

The statistics above indicate that access to finance remains a major contributing factor to SMME failures. Financing institutions require that SMMEs have good track records prior to obtaining finance. This however can be viewed as a no-win situation. It is difficult for SMMEs to become well-established and gain good track records without the required finance to start operations.

2.3.5 Government Regulations

Many entrepreneurs begin with a great idea for a product or service which they believe will succeed if they take it to the market. Unfortunately, they seldom have any knowledge of starting or running a business. It therefore becomes only a matter of time before they meet challenges and become stagnant. These entrepreneurs usually believe it is easy to set up a business until they encounter the costly, cumbersome and bureaucratic paperwork to get a trading license and to register their businesses (Jones, 2011:3).

The Table 2.3 below illustrates a detailed summary of the bureaucratic and legal hurdles faced by entrepreneurs in the process of registering a business. The table
shows the procedures, time and costs involved in registering a small business with a maximum of 50 employees.

**Table 2.3 SMME registration process**

<table>
<thead>
<tr>
<th>Nr</th>
<th>Procedure</th>
<th>Duration (days)</th>
<th>Cost (R)</th>
</tr>
</thead>
</table>
| 1  | Lodge formation documentation with CIPC for registration. Required documents:  
- Notice of incorporation (CoR 14.1)  
- Memorandum of Incorporation (MOI) (CoR 15.1 A)  
If proposed name is rejected, company may still register and the registration number becomes the name of the company. An approved name may be submitted later.  
Application to reserve a name, if done electronically. | 5 - 7           | 175.00   |
| 2  | Open a bank account  
- Must have proof of company directors and original company documents. | 1 – 2           | n/a      |
| 3  | Register with SARS for income tax, VAT and withholding tax (PAYE and SITE)  
- Register for VAT if annual taxable income is more than R 1000 000 (CIPRO and SARS are linked electronically)  
- Company must also register as employer. SITE is payable on the first R60 000.00 and then PAYE is payable after the first R60 000. | 12              | n/a      |
| 4* | Register with the Department of Labour for Unemployment Insurance  
- Company submits form UI-8 and UI-19 | 4               | n/a      |
| 5* | Register with the commissioner according to the Compensation for Occupational Injuries and Diseases Act  
- Registration forms obtainable from the Department of Labour’s website | 10              | n/a      |

*Activities can be performed simultaneously


As illustrated in the table above, it takes up to five (5) activities and 31 days to register a business. The legislation also dictates that all organisations with a salary
and wages bill of more than R500 000 per annum pay a skills development levy (SDL). This is paid to South African Revenue Services (SARS) each month together with Pay As You Earn (PAYE) (World Bank, 2013).

In addition, South Africa’s labour legislation inhibits SMMEs from creating job opportunities. The inflexible labour laws in terms of hiring and firing, and high labour costs serve as a challenge to increasing staff members (Small Business Project, 2011:26).

A successful entrepreneur is thus the one who knows how to handle the government along with its ever-changing commercial-economic situation and taxation laws. Entrepreneurs’ spirits have most often been discouraged by government policies and attitudes of public officials (Lekhanya, 2010:28). A report released by Small Business Project (SBP) (2011), revealed that government’s tendering processes are rigid, impersonal and expensive. The chances of winning a tender are rated at one in twenty tenders. Each tender is time-consuming and costly. These challenges are further coupled with government inefficiencies where SMMEs are allowed short periods of time to complete projects. Meanwhile payments are almost always late.

South Africa has a large number of agencies and institutions who provide support and finance for SMME development. These agencies have however failed in addressing the needs of entrepreneurs (GEM, 2011:5). There is a lack of collaboration among the agencies and unclear long-term plans to ensure sustainability of SMMEs. Lekhanya (2010:30) alludes to the lack of marketing of government initiatives. Even though numerous initiatives exist, most entrepreneurs are unaware of those initiatives. Unclear government policies concerning the development of SMMEs have led to the public perception that government is not doing enough to support SMMEs. The policies are unaccompanied by implementation plans. Likewise, the lack of skilled employees to drive the initiatives has been cited as a factor.

Black Economic Empowerment (BEE) has also been viewed as an obstacle to business growth (GEM, 2011:46). Similarly, the Small Business Monitor (2010:5) reported that BEE has led to the use of black faces by white-owned business to
satisfy its requirements. Some black people have also been issued ownership of the businesses but with no control and management of operations.

The Small Business Monitor (2010:116) further makes an example of the Western Cape Liquor Act, 2008. The Act requires that all traders obtain land use zoning approvals in order to be granted trading licences. As a result, micro enterprises that sell liquor, commonly known as ‘shebeens’ or ‘taverns’, are excluded. As they operate mainly in residential areas, they cannot obtain land zoning approvals. They therefore opt for either closure or they trade illegally. The ripple-effect of this Act is the possible closure of more businesses within the value chain. These include bottle collectors, graphic (pamphlets/signage) designers, security and cleaning companies, public phone enterprises and other suppliers (2010:120).

The red tape and most regulations currently imposed by government are not conducive for the development of emerging SMMEs. As a result many SMMEs remain at the developmental level for many years. The time, processes and hurdles involved in doing business with government discourage the growth of SMMEs. This is despite the various efforts made by the government to develop the SMME sector. Moreover, the applicable skills, experience and qualifications of government employees to perform their duties are crucial aspects in the effective implementation of government programmes.

The above section outlined factors that serve as barriers to the growth and development of SMMEs. Even though they have been identified as barriers, it is actually the lack thereof that is a barrier. In other words, the development and presence of these factors would significantly contribute towards SMME success.

2.4 SMME SUCCESS FACTORS

This research study highlights various factors that serve as enablers for business success. Arthur and Hisrich (2011:2) argue that entrepreneurs need only infrastructure and starting capital to transform an idea into a business reality.
Yusuf (2008:9) outlines the difficulties and ambiguities concerned with defining entrepreneurial success. It is a concept with a variety of meanings such as efficiency, growth, market share, profit, size, liquidity, survival and leverage. Each entrepreneur therefore determines success differently. Yusuf, however, emphasises that the entrepreneurs must first perceive themselves as successful, otherwise, the determination of their success by outsiders is irrelevant and incorrect. The following section will discuss the factors that play a role towards entrepreneurial development, and consequently SMME success.

2.4.1 Human capital

Human capital includes the entrepreneur's knowledge, skills, education and experience. The possession of such attributes increases the owner's ability to run an efficient and effective business venture. Dencker, Gruber and Shah (2009:1126) identify breadth of knowledge as a key characteristic of individual human capital. This is described as the extent of knowledge that an individual has with regards to starting and running a business. It is also further influenced by the individual's education, career history and personal experiences.

Individuals who have made high investments in their human capital, for example through education, will expect higher returns on their investment. They thus work much harder to drive the success of their businesses. Such entrepreneurs will therefore be more alert in discovering business growth opportunities that other entrepreneurs may not be able to identify. The past experiences of the entrepreneur also increases efficiency and effectiveness when it is related to the present tasks (Unger, Rausch, Frese and Rosenbusch, 2011:343).

Human capital helps the entrepreneurs to easily acquire other resources such as financial and physical capital, as well as the accumulation of new knowledge and skills. Surdez, Aguilar, Sandoval and Lamoyi (2012:45) expound that knowledge is measured by ones level of financial, marketing, production, fiscal, accounting and informatics knowledge which is acquired through education and special courses.

The return on the investment on ones human capital is realised in the success of ones entrepreneurial endeavours. Education and skills raise an entrepreneur's
awareness of business operations. It also involves knowledge gained informally through reading, general curiosity and interests. Past experience from similar projects enables entrepreneurs to apply the lessons learnt and avoid the recurrence of past mistakes.

2.4.2 Marketing and market orientation

According to Wagener et al (2010:1518), a market oriented company is better able to identify and exploit opportunities, and to avoid threats. This is due to the entrepreneur’s understanding of potential customer needs, the superior value provided to customers and the prompt response to changing customer needs and competitor activities.

Marketing is the process of creating, promoting and selling products and services to consumers, thereby winning and retaining loyal customers. The competitive environment in which SMMEs operate forces entrepreneurs to devise ways of successfully marketing their businesses. Common marketing factors include a location that is convenient for customers, sufficient marketing, understanding of the market, customer trends and needs, and quality products and services. Key to the marketing factors is their delivery and implementation before one’s competitors can (Ngwenya, 2012:202). Furthermore, Van Scheers (2011:3) associates marketing skills with the ability to carry through the various marketing activities, sales, increasing market share, new product introduction and customer relationship management.

A requisite for the success of a business is delivering the product or service better than competitors. Successful entrepreneurs strive to stay ahead of their competitors. This is done through promotions, the location of the business and prices that are worth the value perceived by customers. Customer needs and preferences change frequently. Entrepreneurs therefore need to stay up-to-date with trends.

2.4.3 Innovation

The market associates innovation with high business performance. Bugnar, Giurgiu, Mester and Berinde (2011:36) state that the entrepreneur is responsible for the innovation process. This entails the economic activities associated with transforming
the innovative ideas into economic returns. Such innovation may be managerial, technological or administrative. The activities involved in the transformation aim to generate significant quality improvements in the product, extend the product range, increase production capacity, reduce staff costs and increase the market share of the business.

Abor and Quartey (2010:223) concur that it is most often the SMMEs that bring the innovative ideas to the market. However, due to the costs and amount of time taken on productivity to turn the idea into a product, the larger firms then adopt and implement the ideas as they have the advantage of more resources.

In these current uncertain economic times with complex and dynamic markets, innovation is essential for business survival. Businesses need to constantly find new ways to stay innovative in order to remain competitive in the market. Limited resources and high levels of competition compel SMMEs to find ways of producing and operating their businesses efficiently and differently. Entrepreneurs thus tend to be more innovative than larger firms.

2.4.4 Education and skills

The most successful, adaptive and innovative SMMEs are those in which the entrepreneurs have high levels of education, technical/managerial skills and training. These are also prerequisites for employment in the formal sector. The shortage of skills and experience, especially among the youth in South Africa, has led to the concept of necessity entrepreneurship (Madichie, 2011:49).

Despite the training and skills development programmes facilitated by government and other entities, entrepreneurial skills still remain a challenge in South Africa. This could be due to the ‘one size fits all’ approach taken when designing such programmes (Lekhanya, 2010:36). Lekhanya argues that the correct type of entrepreneurial training assists in identifying and developing the natural inherent and potential virtues of a human being. This opposes the common belief that an entrepreneur is born and not made. The author further illustrates that an entrepreneur can be developed through the relevant type of training and consequent support and assistance. Likewise, Lee and McGuiggan (2009:103) state that the size
and sector of the business influence the training needs. Each sector has different entry requirements and barriers. The higher the barriers, the higher the training needs.

Training does not only entail the thorough reading of theory and manuals. The process of obtaining the necessary skills to operate machinery can best be achieved through experiential learning. The business may incur some financial losses during this period. However, the investment on skills soon allows the business to realise the gains through increased productivity and competitive advantage. Ryan (2012:9) refers to this process as ‘learning by doing’.

Elfenbein, Hamilton and Zenger (2010:5) argue that the SMME cannot rely only on the entrepreneurial idea for success. Entrepreneurship rather requires more balanced and diverse skills which include knowledge application and a wide range of management skills. Lee and McGuiggan (2009:112) state that the skills gap in the SMME sector is due to the high costs of training programmes, entrepreneurs not having enough time to study and run the business, as well as their inability to identify relevant training programmes. Conversely, the Internet is an ideal vehicle to overcome the barriers of cost, geographical location and on-the-job training requirements.

The South African government has also acknowledged the need to strengthen skills. This was further highlighted in the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the Joint Initiative on Priority Skills Acquisition (JIPSA) which both include enhancing skills in the SMME sector (Rogerson, 2008:62).

The training and education programmes facilitated by government lack the entrepreneurial aspect. Hence educated individuals tend to look for jobs in the formal sector. Entrepreneurship is then perceived as the last resort, thus, further promoting the concept of necessity entrepreneurship. There is a need for the training programmes to be tailor-made for entrepreneurial needs. This is while taking into account the size, sector and geographical location of the businesses.
2.4.5 Internationalisation of markets

Increased growth, expansion, geographical and market diversification can be achieved through the internationalisation of markets. Shortage of working capital to finance exports, inability to spot foreign business opportunities, limited information to locate/analyse markets and the inability to contact potential customers from abroad were amongst the reasons cited as barriers to SMMEs expanding their markets internationally (OECD, 2009:7).

The South African SMME sector is merely surviving rather than thriving (Small Business Project, 2011:43). Entrepreneurs play a vital role towards the success of their businesses. The skills, education and activities undertaken by the entrepreneur determine the performance of the business. External stakeholders, such as funders and government, merely provide the necessary resources, infrastructure and environment to hone the entrepreneur's endeavours.

2.5 ROLE OF SMMES ON THE ECONOMY

In 1995, the then Minister of Trade and Industry, Mr Trevor Manuel, presented the White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa. He stated:

With millions of South Africans unemployed and underemployed, the Government has no option but to give its full attention to the task of job creation, and generating sustainable and equitable growth....Small, medium and micro-enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. ....We believe that the real engine of sustainable and equitable growth in this country is the private sector. We are committed to doing all we can to help create an environment in which businesses can get on with their job (RSA, 1995).

Entrepreneurship is the backbone of economic growth and job creation. (Mahnaz, 2011:1060). Likewise, Ashraf and Qureshi (2010:99) view entrepreneurs as engines; they move the economy. This is through the risks they take to leave formal employment and start their own businesses. The creation of SMMEs and self-employment drive the creation of jobs. These jobs assist in alleviating poverty.
Likewise, Dabson and Markley (2010:3) assert the contribution made by SMMEs to the marketplace by creating new jobs, providing dynamic ideas, innovative services and new products.

The SME Growth Index confirms the importance of SMMEs to job creation. It cites that an estimated 80 percent of new jobs in South Africa are created by SMMEs. That means SMMEs employ approximately nine million South Africans. This raises the need to support the creation of new SMMEs, thereby increasing the number of jobs created. Furthermore, the contribution made by SMMEs to the national Gross Domestic Product (GDP) is estimated at 60 percent (Small Business Project, 2011:2).

According to SA Yearbook (2011:128), this sector is endowed with high expectations of relieving the country of its unemployment challenges. Such expectations result from its ability to create jobs, especially for the unskilled market. Moreover, the SMME sector comprises of 2.8 million SMMEs whose contribution to the GDP is estimated at almost 60 percent. This is while their contribution to employment is estimated at 61 percent. It is further reported that 68 percent of people employed by SMMEs are in those businesses that employ less than 50 people, while 32 percent are in those that employ less than five people (SA Yearbook, 2011:128).

As a result of the fragmentation within the SMME sector as well as with the agencies involved with its development, the statistics reported most often conflict. Ngwenya (2012:195) reported an estimate of 5.98 million SMMEs in South Africa, while the SA Yearbook (2011:128) as mentioned above, reported an estimate of 2.8 million SMMEs. The statistics are for the same year. One explanation could be because some businesses are not registered with the Companies and Intellectual Property Commission (CIPC). They are simply owner-managed and do not create any employment.

Multi-billionaire businessman Richard Branson once said ‘Being an entrepreneur is not only about making money...You can also tackle social problems with an entrepreneurial mind. No one should develop AIDS, no pregnant mother should be passing on HIV to her baby, and millions should not be dying of malaria’ (BizEd,
Similary, Block, Sandner and Spiegel (2009:27) are of the view that entrepreneurial opportunities resulting from high value risks can positively impact on economic growth. They contend that a country’s rate of opportunity entrepreneurship is proportional to its rate of economic development. The benefits thereof include knowledge spill-over, demographic changes and technological progress.

SMMEs have the potential to contribute to the solution of the country’s social challenges of unemployment, HIV/AIDS and low economic growth. This results in the alleviation of poverty. Effective implementation and increased interventions and initiatives, in particular by government, should be directed towards the support and development of SMMEs. However, businesses within different economies differ, so do their needs and aspirations. Likewise, they differ within the same sector. Some SMME’s strive to grow and expand, while others prefer to remain small. Moreover, the significant contribution made by SMMEs to the economy cannot be underestimated. Entrepreneurship is thus a requisite for economic growth in any country, especially South Africa.

2.6 LEADERSHIP

It has become increasingly acknowledged that entrepreneurship and leadership are interconnected. Successful entrepreneurs possess leadership capabilities, specifically personal drive, risk acceptance, innovation and vision (Kempster and Cope, 2010:8). Business growth and success are largely dependent on leadership. Makhbul and Hasun (2011:117) suggest this is because it is the responsibility of the entrepreneur to lead the business even when the conditions seem unusual. Successful entrepreneurs are good leaders who possess a clear mission, purpose and easily shared values that can be sold to others.

Business success is largely dependent on the strategic leader and on his values, culture and management style used in executing business goals. Business management decisions include opportunities for the current survival as well as for further growth and development of the business. Such decisions need to take into account the changing and dynamic competitive nature of the business environment where each competitor is fighting for survival (Silinevica, 2011:212).
Forster (2008:76) states that self-leadership is a key skill required in the development of an entrepreneur, which the author defines as the ability to control one’s actions and harness personal strengths. Forster further describes self-leadership as exhibiting characteristics such as self-discipline, goal-setting, positive thinking and intelligently administered self-rewards. These result in the ability to harness innovation and further build businesses.

Prieto (2010:108) describes entrepreneurial leadership as an amalgamation of leadership with entrepreneurship, entrepreneurial orientation and entrepreneurial management. In the new global economy where businesses are oriented towards leadership and excellence, entrepreneurship forms a basis for competitive advantage and technological growth. Additionally, Prieto agrees that leadership is imperative for the growth of new as well as established businesses. Likewise, entrepreneurial leadership is viewed by Wang, Tee and Ahmed (2012:505) as a type of leadership that combines the characteristics of effective leaders and entrepreneurs.

2.6.1 Role of leadership on SMME success

Leadership is imperative for the survival, success and sustainability of enterprises. The responsibilities of a leader entail making key decisions that include transforming the product or service into something that will add value to all stakeholders. Leadership is therefore considered as a source of competitive advantage for the business. Bangari and Prasad (2012:40) add that the success of an organisation largely depends on its leader. Conversely, they also need to be held accountable for all failures within the organisation. Sometimes choices need to be taken in vague situations and in crisis mode. It is in such instances that Bangari and Prasad (2012:42) emphasise the importance of leader courage. Courage is displayed in the leader’s ability to make difficult but correct decisions during a crisis, while taking into account the long-term interests of all stakeholders.

It is vital to distinguish between leadership effectiveness in large organisations and in entrepreneurial ventures. Dalglish (2003:10) argues that while entrepreneurship may not be a prerequisite for leadership success, leadership is however a prerequisite for entrepreneurial success. Bagheri and Pihie (2011:448) expound that leaders and entrepreneurs have certain common characteristics such as innovativeness, risk
propensity and vision. Furthermore, the authors define an entrepreneur as an individual who starts a business from scratch, overcomes challenges and crises and plays different roles in leading in extraordinary situations. This view opposes the role of a leader who performs in an already well-established organisation.

Additionally, Wang et al (2012:505) state that successful SMMEs are a result of entrepreneurial teams which are led by a leader who is able to motivate, instil an entrepreneurial vision and influence employees to achieve business success. Business success is therefore the result of a team effort rather than the individual entrepreneur. An effective leader, as described by Yang (2008:257), is able to achieve the business goals through his positive influence exerted on employees.

Entrepreneurs most often play the role of the manager, while managers too are often expected to be entrepreneurs. Managers are, however, appointed and depend on positional power while entrepreneurs emerge out of individuals and depend on wisdom, intuition and charisma (Sam, Tahir and Bakar, 2012:196). Ensley, Pearce and Hmieleski (2006:247) add that the well-defined goals, structure and processes of well-established organisations make leadership redundant. Managers usually simply follow routines, in which case their leadership capabilities and activities are constrained. Conversely, entrepreneurs set the vision, mission and goals of their emerging organisations as well as motivate their employees towards the achievement of those goals.

The Table 2.4 distinguishes between the characteristics of managers and leaders. In the table below, Dalgish (2003:35) differentiates between managers and leaders. The author suggests that managers ‘do things right’ while leaders ‘do the right things’. This is further reflected in their different personality types and characters where some individuals are naturally managers.

Radja (2013:127) maintains that business growth entails a change in the leadership style employed at the start of the business to the one employed when the business becomes larger. However, the leader’s values that define the business’ direction remain constant.
Table 2.4  Managers versus leaders

<table>
<thead>
<tr>
<th>Managers</th>
<th>Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administer</td>
<td>Innovate</td>
</tr>
<tr>
<td>Maintain</td>
<td>Develop</td>
</tr>
<tr>
<td>Control</td>
<td>Inspire</td>
</tr>
<tr>
<td>Have a short-term view</td>
<td>Have a long-term view</td>
</tr>
<tr>
<td>Ask ‘how’ and ‘when’</td>
<td>Ask ‘what’ and ‘why’</td>
</tr>
<tr>
<td>Imitate</td>
<td>Originate</td>
</tr>
<tr>
<td>Accept status quo</td>
<td>Challenge status quo</td>
</tr>
</tbody>
</table>

Source: Dalglish (2003:11)

Gallato, Rashid, Suryasaputra, Warokka, Reamillo and Hilman bin Abdullah. (2012:3) emphasise that the employee’s level of job satisfaction is highly dependent on the ability of the owner to provide a conducive working environment, culture and effective leadership. Likewise, effective leadership, employee job satisfaction and organisational commitment and culture are unique value propositions for an organisation, thus resulting in organisational success.

In addition, McDonald (2013:6) asserts the importance of the leader to be viewed and acknowledged by employees as highly representative of the group. This requires an understanding and personal alignment to the group’s identity, thus the ability to highly influence the employees and gain their trust.

In order to be effective, Sadeghi and Pihie (2012:189) recommend a good relationship between the leader and the employees. Employees will then feel included and more connected to the group. Due to this close relationship, transformational leaders are more effective and tend to achieve greater outcomes. Likewise, Wang et al. (2012:506) are of the view that entrepreneurial leaders adopt the transformational leadership style, while the transactional leadership is mostly adopted by non-entrepreneurs.

Leadership has been acknowledged as a prerequisite to entrepreneurial success. Entrepreneurs should possess certain leadership characteristics. The following
section aims to outline the role that leadership plays in businesses, whilst presenting the leadership attributes identified in this study.

2.7 LEADERSHIP ATTRIBUTES

According to Bangari and Prasad (2012:46), the process of analysing a leader and leadership qualities is complex. Entrepreneurs lead differently and each individual has their own strengths and weaknesses. Zaccaro (2007:7) explains that leadership attributes correlate with the leadership outcomes. The decisions, values and actions of the leader reflect his/her character and assist in predicting the leader's longer term effectiveness. This research study focused on the following variables to determine the effectiveness of the entrepreneur as a leader, thus leading to the success of the SMME.

2.7.1 Leadership Style

Defining the mission, setting goals and motivating the employees of the new business venture require the leadership of the entrepreneur. Entrepreneurs are however different as individuals and each one leads differently (Ensley et al, 2006:244). Leadership style is the combination of traits such as the skills and behaviours employed by leaders when interacting with employees. Each leader typically adopts a style that relates more to their beliefs, norms, ideas and values (Iqbal, Inayat, Ijaz and Zahid, 2012:641). Additionally, Gallato et al (2012:3) maintain that the leadership style used relates to the entrepreneur's variables such as locus of control and innovation.

Ensley et al. (2006:244) expound that leadership behaviour varies according to transactional and transformational leadership dimensions. The following section aims to distinguish between the two leadership styles.

2.7.1.1 Transformational leadership

An ideal leader is explained by Bangari and Prasad (2012:49) as one with high moral and physical courage. Their actions and decisions are not constrained by boundaries of nationalism as their main concern is the well-being, eventual empowerment and liberation of their followers. More specifically, they challenge the
status quo in order to bring about change. The well-being of their followers is their main priority. Bangari and Prasad further state that this kind of courage is mastered through daily practice. One is not necessarily born with it. Bass and Steidlmeier (1999:191) refer to these types of leaders as ‘authentic transformation leaders’.

Caldwell, Dixon, Floyd, Chaudoin, Post and Cheokas (2011:175) are of the opinion that transformative leadership stems from ethical leadership. It is characterised by its actions to continuously improve the welfare of its stakeholders and to optimise long-term wealth creation. Perucci (2009:56) argues that the current, ever-changing business environment is so competitive that it is difficult for leaders to earn and maintain the trust of their employees. Caldwell et al. (2011:177) further state that transformative leadership enables leaders to honour their duties to themselves and to their employees. This is because of the morals inhibited in such individuals. Furthermore, Lincoln (2012:52) suggests that transformational leaders put mechanisms in place to motivate the employees to achieve the organisational goals. High standards are set and employees are motivated to prioritise the achievement of the organisation’s goals rather than self-interests.

The actions of the leader emerge from their knowledge. Lincoln (2013:3) aligns the entrepreneurs’ moral and ethical reasoning to their characters. Such reasoning assists in differentiating right from wrong and motivates the leader to take the appropriate actions. Thus, entrepreneurs with high moral reasoning are associated with transformational leadership. Metcalf and Benn (2013:376) state that transformational leaders are often viewed by their employees as heroes. This is due to their charisma, ability to excite, arouse and inspire as well as encourage debate. In addition, Ncube (2010:81) argues that a collective spirit promotes teamwork, a non-competitive environment and loyalty among employees.

2.7.1.2 Transactional Leadership

Transactional leadership is often referred to as authoritative leadership due to its exploitation of power and position to achieve the organisational goals (Lincoln, 2012:52). Ensley et al (2006:244) suggest that this type of behaviour makes use of the ‘carrot and stick’ approach. Employees are either rewarded or punished based
on their performance. The leader therefore focuses on the self-interest and extrinsic motives of the employees. It is most effective in organisations where environmental dynamism is low. Formal organisational processes, systems and rules are put in place to monitor and evaluate performance according to the set standards and objectives.

In the study conducted by Ensley et al (2006:259), they found that transactional leadership is less effective in SMMEs due to the dynamism of the business environment. In other words, transactional leaders are more effective in routine functions rather than in responding to crises. On the other hand, transformational leadership is more effective in the current SMME environment which, as mentioned above in Greiner’s growth model, requires constant and effective responses to crises. Furthermore, an important characteristic of highly effective leaders is the ability to switch their leadership styles in response to current demands.

Karakas (2009:16) argues that this type of leadership behaviour is an exchange approach between the leader and employees where one thing is exchanged for another. Moreover, it is a reciprocal relationship between the leader and employees where they raise one another’s levels of morality and motivation.

The responsibilities of the transactional leader are further explained by Sadeghi and Pihie (2012:188) to include clarification of the roles and responsibilities to their employees, performance objectives and to set tasks according to their contractual obligations. The leaders avoid risks and thus micro-manage employees to ensure goal achievements.

This section outlined the concept of leadership; more specifically, entrepreneurial leadership. Types of leadership styles were also analysed. The following section will outline some traits of a leader that entrepreneurs should strive to possess and exercise.
2.7.2 Vision

One of the biggest responsibilities of a leader is the development of a clear vision and encouraging employees to adopt it in the organisation. This is even more relevant in SMMEs as their main purpose is the development of the entrepreneur’s vision (Carland and Carland, 2012:73). Carland and Carland further describe a vision as a ‘well developed idea’. Likewise, Prieto (2010:108) is of the view that a leader, specifically one who is an entrepreneur, must create visionary scenarios that will unite, mobilise and commit the employees to realise the vision.

An entrepreneur is described by Junior and Gimenez (2012:42) as one who innovatively and strategically builds a vision through the establishment of a business, thereby achieving profit and growth. Similarly, Nair’s (2011:32) definition of a human being is someone who sees a problem, while a visionary is someone who sees a solution. Furthermore, Nair defines an entrepreneur as the person who finds the solution and implements it in order to solve the prior, identified problem.

Leaders carry the responsibility of being visionaries. They discover ideas that generate wealth and take the initiative to act upon those goals. Such abilities earn them the status of being role models to their employees and competitors (Ashraf and Qureshi, 2010:101). Bruwer (2012:5385) expounds that entrepreneurs are dreamers who are futuristic and prosper through their ‘what if’ and ‘if when’ scenarios.

The ability to develop and articulate a vision is viewed by Strubler and Redekop (2010:794) as entrepreneurial leadership. Sinha (2009:44) explains the process of creating a vision as one that is not straightforward. Most often a vision starts with an unclear idea. The process of implementing the idea usually involves many trials and failures, as well as observing what other successful entrepreneurs are doing. A clear vision then emerges from that process. Sinha further proposes that entrepreneurs must always be aware of their competitors and understand their visions. This knowledge can then be used to craft their own visions which should out-market their rivals. Visionary entrepreneurs therefore need to have perseverance and a culture that views failure as an opportunity. Nair (2011:32) concurs that failure should be
viewed as a learning process that prepares entrepreneurs for future success. It is therefore a process of growth that allows discovery and achievement of their visions.

Koury (2010:4) also stresses the difficulties associated with being a visionary. However, a clear definition of goals and implementation plan places visionaries ahead of their competitors. An unusual foresight and being able to see things before they happen are qualities of a visionary, as identified by Koury (2010:4). Consequently, visionary entrepreneurs foresee the direction of the industry before everyone else does. They possess courage and are willing to make mistakes, thereby learning from those mistakes in order to visualise a better future (Sinha, 2009:44).

Entrepreneurial leaders start their businesses with a vision. Their inherent optimism enables them to see the future, and thus influences others to ‘buy’ into their vision. Visionaries foresee the opportunities and capabilities of employees and stakeholders. This includes how these capabilities could be utilised to implement the relevant ideas to achieve the business goals. Moreover, the process of realising the business goals entails many creative ideas. This raises the importance of perseverance and tenacity. Leaders realise that failure is an inevitable possibility, but is not the end. It is merely perceived as a learning opportunity that contributes towards the achievement process of the vision. Most important is the leader’s ability to articulate the vision in order to ensure proper implementation as well as stakeholder support.

2.7.3 Networking

The acquisition of information is an important skill in generating a market, decision-making and problem-solving. In order to access and keep abreast of significant information, entrepreneurs need to combine their leadership and networking abilities (Makhbul and Hasun, 2011:119). Bagheri and Pihie (2011:454) emphasise that entrepreneurs need to strive to socialise with the ‘right’ people who will be able to influence them. Social interaction and other socialisation processes enable them to explore opportunities, cope with the crises associated with business growth, and learn entrepreneurial leadership. Ibarra and Hunter (2007:40) argue that effective leaders instinctively spot opportunities and relevant potential partners. These instincts are the basis of the strategic networking skills that leaders possess.
Another important element of leadership is the acknowledgement of the interconnectedness and interdependency of people. Ncube (2010:80) articulates the concept of 'no man or woman is an island'. Leaders need to remain cognisant of this aspect. Moreover, relationship-building is a characteristic and necessity of good leadership. It enforces trust, collaboration and reciprocity with other leaders. Each leader is able to empower another.

A large number of entrepreneurs equate a large database of contacts and invitations to high-profile events with a good network. However, a good network involves the relationship itself. It is the ability to ask for help when in a crisis as well as maintaining contact and providing support to the network, for example, pro-actively introducing two people who would benefit from knowing each other (Ibarra and Hunter, 2007:47). Nair (2011:34) confirms the need for entrepreneurs to assist one another as nobody has ever succeeded by working alone. A business gains competitive advantage through internal and external factors.

Carsud, Gaglio and Olm (1987, cited in McCline and Bhat 2012:40) are of the view that it is rare to pursue an entrepreneurial activity without interactions within a social network. Such interactions connect the pursued opportunity with the required resources. Furthermore, high networking activity is associated with high business performance. This view gives rise to the importance of business networks.

Business networks are a result of an identified interconnection between businesses with common industry interests. They collaborate to share knowledge, skills and resources (Porter (2002) cited in Bruneto and Farr-Wharton, 2004). Konsti-Laakso, Pihkala and Krauss (2012:93) agree that SMMEs must have the ability to develop both their internal and external activities through collaboration with other businesses and customers.

Likewise, Chen, Chang and Chen (2004) assert that new ventures created by entrepreneurial teams have higher chances of success than those established by individual entrepreneurs. This is due to the convergence of creativity, knowledge and skills in teams. Consequently it reduces the risk of failure. Romijn and Albaladejo
(2000) cited in Brunetto and Farr-Wharton (2004:10) argue that the entrepreneur’s education level influences a willingness to seek further knowledge and skills.

In addition to business networks, entrepreneurs also establish social networks. The objective is to share information and explore possible collaborative business opportunities. An investment in time, energy, feelings, trust and reciprocity is a requisite to establish a network. The strength and quality of the relationship determines the speed of sharing resources. Furthermore, the more familiar the members of the network are with each other, the easier it becomes to trust one another (Baoshan, Hisrich and Baobao, 2009:224). Likewise, Brunetto and Farr-Wharton (2004:9) highlight the importance of trust within the social networks. It is easier to share valuable knowledge and information with people that one trusts and foresees a sustainable relationship with.

Time constraints, as identified by Ibarra and Hunter (2007:40) impact on the sustainability of the network. Entrepreneurs often argue that they do not have the time to nurture and develop relationships among their day-to-day business activities.

As the leader progresses through the business growth stages, applicable networks are developed. These provide support, feedback, insight, resources and information that assist in dealing with the business’ strategic issues. Furthermore, a positive association has been identified between a business’ networks and its ability to obtain bank finance, gain more clients, business associates, suppliers, and technical and market knowledge (Machirori, 2012:34). McCline and Bhat (2012:40) expound that networks vary according to the stage of venture creation. For instance, SMMEs depend on family and friends to acquire start-up material and resources. As the SMME moves to the next stage where it is managed and operated towards growth in terms of infrastructure, customers and revenue, banks and strategic partners become more relevant to stimulate growth. As the business matures, business and social networks make up the business' network that assists in its operation and sustainability.

Ibarra and Hunter (2007:41) further identify three forms of networking that impact on the leaders’ transition, namely operational, personal and strategic. Operational
networks provide assistance with managing internal responsibilities. These include employees, funders, suppliers, distributors and customers who all have to trust one another to accomplish their tasks. Conversely, personal networks are found outside the business and their objective is to boost the leader’s personal development and advance his career. They include professional associations, clubs, alumni associations and other groups which can provide significant referrals, information, coaching and mentoring. In addition, strategic networks assist in expansion, identifying new business opportunities as well as the required stakeholders. Entrepreneurs leverage support and resources from one network and utilize them in another. They are most essential in the entrepreneur’s transition from functional manager to business leader where he deals mainly with strategic issues (Ibarra and Hunter (2007:41).

The FinScope South African Small Business Survey 2010 (2011:29) reported that South African entrepreneurs obtain business information from various sources and networks. Such sources include family members, business networking groups or a professional body, other SMMEs, their customers, friends and some women cited benefits of belonging to a women’s group.

Networking accentuates the concept of ‘ubuntu’, which simply means that a person is who he is because of another person. Leaders acknowledge that the growth of any business cannot be achieved single-handedly. Networks of people and other businesses are a requisite for business development and its consequent success. Such networks are useful in creating a pool of contacts which assist each other in spotting business opportunities, handling crises and providing referrals. It is therefore a mutually-beneficial relationship. Trust is essential to ensure confidentiality of important information as well as reciprocity. An investment in time and energy to establish and maintain networks is a necessity for entrepreneurship.

2.7.4 Risk-taking

The charismatic risk taker, CEO of Virgin Group, Richard Branson, operates by the motto ‘every risk is worth taking as long as it is for a good cause, and contributes to a good life’ (Radja, 2013:127). Entrepreneurial leaders willingly operate in uncertain
environments and assume responsibility for all future outcomes. Prudent and well-calculated risks are taken at various stages of the business but are mostly common in the early stages of the business. The risk-taking propensity signifies confidence in the entrepreneur’s capacity. Entrepreneurs thus need specific competencies to take risks and perform the challenging roles and tasks (Bagheri and Pihie, 2011:450). Surdez et al. (2012:45) describe such competencies as intuition, creativity and innovation. Intuition implies the promptness and certainty to spot opportunities and solve problems. Creativity and innovation involve the ability and willingness to explore new and different things. Likewise Fourati and Affes (2011:223) are of the view that entrepreneurial projects carry the risk of possible failure. Hence an individual’s risk aversion level determines their chances of becoming a successful entrepreneur.

Ashraf and Qureshi (2010:103) associate risk-taking with optimism. Most opportunity entrepreneurs leave formal employment to start their businesses and to directly contribute to the economy. Furthermore, the long-term planning behaviour of entrepreneurs assists in cautious and tolerant risk-taking. Thus, risk-taking is quantified as a critical success factor for entrepreneurial success. Zheng and Prislin (2012:2) argue that entrepreneurs often base their decisions on limited information. It is their optimism that encourages them to proceed with their ideas and convince investors, employees, suppliers and customers of the positive potential outcomes. The authors further differentiate between the entrepreneurs’ and non-entrepreneurs’ risk-taking propensities. Entrepreneurs welcome uncertainties and make time-sensitive decisions. That is, immediate decisions are made with a long-term view. Whereas non-entrepreneurs would take longer to evaluate decisions due to the time on-hand to collect all the relevant data. Vereshchagina and Hopenhayn (2009:1810) identify over-optimism, satisfaction from being an own boss and less risk aversion compared to non-entrepreneurs, as some reasons for entrepreneurs’ high willingness to undertake risky projects.

In addition, entrepreneurs view risks differently. They tend to weigh the gains more than the losses, while non-entrepreneurs tend to do the converse. Entrepreneurs thus seize more opportunities and work on improving their chances of gains through taking more risks than non-entrepreneurs (Zheng and Prislin, 2012:5).
Duening, Shepherd and Czaplewski (2012:206) explain the use of causal logic in the non-entrepreneurs’ decision-making process. Causal logic is described as the process of gathering and deploying all the required resources to achieve an initially identified goal. The achievement of that particular goal becomes the only measure of success.

Conversely, effectual logic pursues various possible goals through the use of the available resources. Entrepreneurs understand that a successful business venture entails a process of discoveries whose ultimate end is unknown. Likewise, Wang et al. (2012:507) add that entrepreneurial leaders face two challenges. One challenge involves visualising and identifying various opportunities that can be seized within the available limited resources, while the second challenge involves convincing all stakeholders, including the employees, that it is possible to achieve the business goals by combining each other’s resources.

Duening et al (2012:207) further argue that it is not just that entrepreneurs take more risks than non-entrepreneurs. However, entrepreneurs are more mindful of their personal risk-taking levels and limits when pursuing economic opportunities. Thus, they are better able to evaluate, minimise, manage and derive maximum returns on risks within those levels and limits. Although Yang (2008:272) associates risk-taking with high business performance, it is highlighted that successful entrepreneurs do not gamble. The risks taken are well-calculated and unnecessary risks are always avoided. Likewise, Strubler and Redekop (2010:795) caution the thin line between recklessness and risk-taking. It is through confidence and decisiveness that successful entrepreneurs are able to minimise risks.

Block et al (2009:2) assert that due to the entrepreneurs’ heterogeneity, necessity entrepreneurs are more risk-averse than opportunity entrepreneurs. This difference is due to each group’s underlying reason for starting a business venture. Motivation, enthusiasm and creativity are associated with the entrepreneur’s risk-taking propensity.

Likewise, Shouming, Xuemei and Sibin (2012:1312) identify education level and the need to achieve as the drivers for entrepreneurial risk-taking. Opportunity
entrepreneurs tend to have clearer future plans and desires for their businesses. These drive their high needs for achievement, hence the willingness to explore more opportunities and to take more risks. In addition, the need for achievement coupled with high education levels positively influences the entrepreneurs’ risk-taking behaviour and decision-making process.

Block et al (2009:8) state that opportunity entrepreneurs have achieved more successful outcomes in prior risky projects than necessity entrepreneurs. Consequently, when an entrepreneur has a positive risk-taking history, they become open to taking more risks.

Figure 2.3 illustrates the South African entrepreneurs’ attitudes towards risk, specifically finance and debt-related risks. The majority of entrepreneurs willingly take well-calculated risks. Twenty-six percent of the sample have never taken the risk of a loan and vow to remain so. The rest of the entrepreneurs take the risk of borrowing money only when necessary and ensure that monthly payment commitments are honoured (FinScope South African Small Business Survey 2010, 2011:37).

Entrepreneurs are not gamblers. The current global crisis has resulted in SMMEs operating with limited resources. Maximum utilisation of these resources is necessary for entrepreneurs to remain competitive. Risks are therefore inevitable. However the risks taken are well-calculated so that they derive maximum benefits. Each business growth stage is accompanied by its own set of risks. Leadership entails careful business planning with a long-term view. An optimistic leader therefore takes risks with a positive mind that they will yield positive returns. These risks will lead the business to a higher growth stage.
2.7.5 Ethics

The survival of SMMEs is dependent on their relationships with stakeholders, namely suppliers, government and other sources of income. The competitive environment in which they operate often pressures them to get involved in corrupt, fraudulent and unethical business practices. Many businesses have as a result been forced to shut down due to the leader’s inability to operate ethically. Olawale and Smit (2010:1781) assert that dishonesty in obtaining and maintaining contracts is the most unethical practice cited by South African SMMEs. Moreover, Olawela and Smit expound that South Africa has been reported to have the highest rate of corruption when compared to other developed countries.

According to Painter-Morland and Dobie (2009:11), SMMEs operate in a highly competitive environment. Resources are limited and each one's ultimate goal is survival. This is prevalent in the start-up stages. Such conditions often result in ethics being compromised and the motto is ‘bread first, morals later’. This has often resulted in entrepreneurs taking ‘short-cuts’, reducing product quality, and over or under-committing. Such behaviour impacts negatively on the operations and sustainability of the SMME (2009:11).
Furthermore, the environment in which SMMEs operate has been found by Painter-Morland and Dobie (2009:13) to be contaminated with unethical relationships. Pressure is high to adopt unethical behaviour as there is a lack of positive stories and role-models.

Business Unity of South Africa (BUSA) (2009) concurs that many SMMEs obtain jobs and contracts by giving ‘gifts’, ‘kickbacks’ or doing ‘favours’ for those who are in the decision-making positions. Kickbacks are explained as a portion of the profit that the SMME gives to an awarding employee as a result of the contract obtained. BUSA however highlights the thin line between engaging in corruption and building a business relationship by giving gifts. Painter-Morland and Dobie (2009:10) identify the importance of relationship-building and nurturing to business sustainability.

Research conducted by Painter-Morland and Dobie (2009:11) revealed that SMMEs face several ethical issues. These issues were grouped according to administrative dishonesty, labour and quality. Administrative dishonesty issues were mostly found in their relations with government institutions. These include corruption, tax avoidance, false audits and non-adherence to licensing procedures. Labour issues include disrespect of staff, poor working conditions, under-aged workers, lack of benefits or job security and no freedom of association for employees. In addition, quality of goods and services issues comprise over-pricing, pirated goods and misrepresentation of product quality.

Business ethics are defined by Price Waterhouse Coopers (2002:22) as the principles and standards that are promoted by the business for how it will conduct its activities and interactions with internal and external stakeholders. Painter-Morland and Dobie (2009:10) describe ethics as the way in which responsibility and responsiveness are incorporated in all business activities with employees, customers, community and government. Likewise, Olawale and Smit (2010:1781) expound that business ethics outlines the integration of the business’ core values such as trust, honesty, respect, decision-making and fair-policies.

Nwagbara (2012:137) highlights the interconnectedness of business ethics with corporate governance. A combination of ethical behaviour and business ethics is
associated with good leadership and positive corporate governance. According to Nwagbara, corporate governance deals with the manner, approaches and procedures in which businesses are directed, controlled and moderated. This includes the extent to which the leaders are held accountable for their actions and the resulting consequences. Furthermore, it ensures that effective and ethical leadership is practised thereby delivering on the business’ promise of protecting stakeholders’ interests. For instance, access to finance has been identified as one of the challenges facing SMMEs. Corporate governance plays a role in assuring investors that their funds are being managed well and that ethical behaviour is practised.

The King III Report on corporate governance emphasises the importance of ethics in business. Furthermore, it describes ethical business conduct as ensuring that all business decisions and activities undertaken by employees, the board and management adhere to the defined standards of behaviour (South African Institute of Chartered Accountants (SAICA), 2009:20-22).

Conversely, a speech delivered by the South African Public Protector (RSA, 2012) alluded to the concept of ethical governance. RSA (2012) describes ethical governance as a function of good governance. It emphasises trust, in that those entrusted with power in government will be honest with the resources that they control. Moreover, it involves the fair treatment of people and with integrity.

Leaders lead by example. It is therefore imperative that entrepreneurial leaders engage only in ethical business practices and communicate the benefits thereof to their employees. This will encourage employees to act accordingly. Moreover, employees need to know the required practices, what to do when approached for corrupt practices and which stakeholders could pose a risk to the business. The consequences for non-adherence must also be openly-communicated. This highlights the importance of a documented code of business ethics (BUSA, 2009:11).

Likewise, Back (2006:18) believes that the actions of the leader will determine the business’ culture of ethics. This includes submitting accurate tax-returns, honouring invoices on time and obtaining contracts honestly. Similarly, Painter-Morland and
Dobie (2009:15) view honesty, reliability and a professional conduct as facilitators of trust, and thus sustainable business relationships.

BUSa (2009) describes more benefits of engaging in ethical business practices. These include the ability to attract more ethical staff, business partners and customers, and building a more stable future business environment for all businesses. Back (2006:20) adds that the more ethical a business is, the happier the employees tend to be. This leads to better business management and better long-term financial returns than competitors. Similarly, Olawale and Smit (2010:1781) maintain that the entrepreneurs’ levels of trustworthiness are determined by their perception towards credit risk. Financial institutions therefore may use the entrepreneur’s ethical perceptions to grant access to finance.

Ethical leaders encourage openness among themselves and their employees. They create an environment where employees look forward to going to work each morning. Therefore, employees should feel free to discuss any challenges and to report any people or activities that could potentially harm the business as a result of unethical practices (Elmore, 2013:56). Elmore further maintains that ethical leadership is vital to the success of a viable organisation.

Verschoor (2006:20) outlines five traits inherent in leaders who strive for an ethical business culture and a happy working environment for employees.

i. Credibility - Leaders regularly communicate the company’s direction and plans to the employees.

ii. Respect – Employees are provided with the required resources and skills to do their jobs.

iii. Pride – Employees are valued and are reminded that they are an important asset to the company.

iv. Camaraderie – Leaders encourage employees to acknowledge and celebrate each other’s successes as well as cooperate with each other.

v. Fairness – Leaders are transparent about the company financials and share successes with employees. This is through promotions, equitable compensation and reward programmes.
The Public Protector (RSA, 2012) acknowledges that ethical governance will only thrive in the presence of ethical leadership. Such leadership should be found inside and outside the government. Simply, ethical leadership involves civil servants and all those who do business with government.

A crucial quality of leadership is strong ethics, as identified by Verschoor (2006:19). Moreover, ethical leadership starts at the top with the actions of a leader. Employees will then emulate the leader. This raises the importance of culture within the business. Leaders should strive for a culture that builds ethically strong employees. Good ethics build a reputable business brand, draws customers, and it is a long-term investment. In addition, such ethics results in a productive working environment for employees.

2.8 CONCLUSION

This chapter provided an outline of the SMME sector. This included the challenges faced by the entrepreneurs in this sector as well as the factors that contribute towards the success of their businesses. The contribution made by the SMME sector to the economy, specifically towards the socio-economic development of South Africa was also briefly discussed.

In this chapter, an outline of leadership was also provided. Leadership is necessary for the growth and sustainability of SMMEs, hence it is imperative to differentiate between a leader and manager.

The way in which employees are managed and acknowledged, and the leaders’ personal drive and optimism, especially in times of crises, reflect the entrepreneurs’ style of leadership. Two leadership styles were discussed. The first one being transformational leadership which entails those leaders who challenge the status quo and value the contribution made by employees to the business, and thus promote teamwork and regard employees as their main priority. The second type of leadership style is transactional leadership which includes those leaders who use power and authority to achieve their vision and goals.
The successful execution of each leadership style is dependent on the type of business and on the situation on hand. This means that a leader may tend to switch between the two styles depending on the situation or type of project.

Leadership attributes correlate with the outcomes and achievements of a leader. These are attributes such as networking with like-minded people to obtain business ideas, a clear vision for the business, the willingness to take risks in order to achieve goals and operating the business in an ethical manner. These are the attributes necessary for the success of a business and are discussed in this research study.

The following chapter, Chapter Three, will outline the research methodology undertaken for this research study, including the empirical survey.
CHAPTER 3
RESEARCH METHODOLOGY

3.1 INTRODUCTION

Chapter Two provided a literature review of entrepreneurship, the challenges faced by entrepreneurs as well as the success factors. It then proceeded to discuss the concept of leadership and the associated leadership styles. Most importantly, the leadership attributes that are necessary for the success of entrepreneurs as outlined by the various authors, were presented.

The purpose of this study was to determine the impact of leadership attributes on the success of entrepreneurs. Chapter One discussed the research question and the objectives of this study. This chapter will focus on the research methodology used to conduct this study.

A methodology is described by Petty, Thomson and Stew (2012:378) as a strategy of enquiry that provides guidance to a set of procedures. On the other hand, in order to create knowledge, certain techniques are used to acquire data and analyse it. Petty et al. identify these techniques as methods.

The following section will present the research paradigm. The quantitative and qualitative research methodologies will be compared and then the methodology suited for this study will be identified along with the sample, the pilot study as well as the measuring instrument. This will include an outline of its reliability and validity. Also, the methods of analysing the collected data will be discussed.

3.2 RESEARCH PARADIGM

According to Collis and Hussey (2009:55), a research paradigm is a framework that is based on people’s philosophies, how they view the world and the nature of knowledge. It guides the way in which research should be conducted. Likewise, Guba and Lincoln (1994:195) are of the view that a research paradigm is a belief system or worldview that serves as a map for researchers.
There are two main paradigms, mainly positivism and interpretivism. Glogowska (2011:251) maintains that qualitative research is linked with the interpretivist worldview, while quantitative research is linked with the positivist worldview. The Table 3.1 outlines the main differences between the two research methods.

Table 3.1 Quantitative versus Qualitative research methods

<table>
<thead>
<tr>
<th></th>
<th>Quantitative (Positivist)</th>
<th>Qualitative (Interpretivist)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aim</strong></td>
<td>· Hypotheses testing</td>
<td>· Generating hypotheses</td>
</tr>
<tr>
<td></td>
<td>· Generalising to a wider population</td>
<td>· Providing a detailed description of phenomena</td>
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<td></td>
<td>· Determining relationships between variables</td>
<td>· Exploring new topics</td>
</tr>
<tr>
<td></td>
<td>· Measuring frequency of observations</td>
<td>· Understanding human experience by interpreting phenomena</td>
</tr>
<tr>
<td><strong>Role of theory in research</strong></td>
<td>· Deductive – testing prior theories and hypotheses through a logical process of gathering evidence</td>
<td>· Inductive – gathering evidence through world observations to generate hypotheses and theories</td>
</tr>
<tr>
<td><strong>Methods</strong></td>
<td>· Counting and controlled measurements</td>
<td>· Participant/non-participant observations</td>
</tr>
<tr>
<td></td>
<td>· Quasi-experiments</td>
<td>· Interviews</td>
</tr>
<tr>
<td></td>
<td>· Surveys</td>
<td>· Documentary analysis</td>
</tr>
<tr>
<td></td>
<td>· structured observations</td>
<td>· Focus groups</td>
</tr>
<tr>
<td><strong>Researcher and subject relationship</strong></td>
<td>Independent – the researcher stands ‘outside’ the subject</td>
<td>Close/interactive</td>
</tr>
<tr>
<td><strong>Research setting</strong></td>
<td>Laboratory/ artificial setting</td>
<td>Nature/less artificial setting</td>
</tr>
<tr>
<td><strong>Data</strong></td>
<td>Replicable, reliable, hard</td>
<td>Deep, valid, rich</td>
</tr>
<tr>
<td><strong>Generalizability</strong></td>
<td>Possible generalizability across time and population</td>
<td>Time and context are important in determining whether findings can be generalized</td>
</tr>
</tbody>
</table>

Source: Author’s own constructs cited from Glogowska (2011:252)

The qualitative research method requires the researcher to state the research questions or hypotheses (Cresswell, 2008:129). Cresswell explains that research
questions comprise of a central question and related subquestions. In addition, hypotheses are described as predictions that entail variables and various statistical tests.

Quantitative research is defined by Babbie and Mouton (2006:45) as a method that has the capability to generalise the findings of the numerical data obtained from a subgroup of the population. Bekhet and Zauszniewski (2012:40) add that quantitative methods include outcomes that are analysed statistically, or numerically expressed questionnaires that are collected by standardised scales or measures. Cresswell (2008:132) expounds that quantitative research questions investigate the relationships among the variables. Moreover, quantitative hypotheses entail the researcher’s predictions of his/her anticipated relationships among the variables.

For the purposes of this study, the quantitative research method was selected to confirm whether leadership attributes do have an impact on the success of entrepreneurs. This is due to the ability of this method to allow the researcher to generate hypotheses regarding the expected outcomes among the set variables. That is, the researcher would generate hypotheses to investigate the relationships among the leadership variables identified in this study. A method of convenience sampling was used to select a sample from the population to whom a self-administered questionnaire was distributed and later collected. The data was then analysed numerically to interpret the meaning and the findings of this research study.

3.3 RESEARCH STRATEGY

The research design entails the planning of the research, data collection and analysis procedures. According to Collis and Hussey (2009:111), the research design is the planning of how the study will be conducted in such a way that the researcher will obtain the most valid findings. This consequent detailed plan is used to guide the research. A research design is further referred to by Cooper and Schindler (2001:75) as the ‘blueprint’ for answering the research question and achieving the objectives.
A research strategy is essential to ensure that the research fulfils the set objectives and outcomes. It is the actual procedure for achieving the research objective, such as sampling, data collection, and/or data analysis.

De Vos et al (2007:133) state that the quantitative research method makes use of surveys for data collection. Likewise, Crossman (2013) associates data collection methods such as secondary data, experiments and surveys with the quantitative research method. The following section will briefly discuss the method used in this study, namely, a survey.

3.3.1 Survey

Surveys enable the researcher to ask specific questions about various topics and then perform sophisticated analyses to find patterns and relationships among variables (Crossman, 2013). Wegner (2010:28) defines surveys as methods that are used to gather primary data through questioning the respondents directly. They capture attitudes such as opinions, awareness, preferences, knowledge and perceptions. Survey-based studies use questionnaires as one of the instruments to gather data. The present study also made use of a questionnaire as a data collection tool.

3.4 PILOT STUDY

A pilot study is a small exercise that is designed to test the main study in order to improve its quality and efficiency. It helps to reveal deficiencies so that they can be addressed before the main study is conducted. In the case of using a questionnaire, Lancaster (2005:108) concurs that a pilot study assists in refining the questionnaire in order to prevent any problems that respondents may come across in answering the questions. The purpose of a pilot study is further explained by Hague (1994:95) as to test whether:

- The wording of the questions is clear and unambiguous.
- The questions are directly relevant to the research question.
- The layout is user-friendly.

In this research study, a pilot study was conducted among seven entrepreneurs who have been in business for a minimum of four years and are based in the Eastern
Cape (see Appendix ‘B1’ for original questionnaire). Valuable feedback was received and adjustments were then made to finalise the improved questionnaire which was used for the actual data collection. Amongst the proposed changes, the respondents proposed the inclusion of a section on the leaders’ relationships with employees. As a result, more questions on Section B1 were added on the questionnaire, while other changes were in the form of grammar, vocabulary and tense (see Appendix ‘B2’ for amended questionnaire’).

3.5 POPULATION AND SAMPLE

3.5.1 Population

The researcher contacted various organisations that deal with SMMEs in the Eastern Cape, namely the Border Kei Chamber, Eastern Cape Development Corporation (ECDC), Small Enterprise Development Agency (SEDA), and National Youth Development Agency (NYDA) to explain the purpose of the study and to enquire as to the best procedure for distributing the questionnaire. Due to confidentiality clauses within these organisations, they could not issue the researcher with databases or contact details of entrepreneurs. There were also no official statistics of the total number of entrepreneurs in the Eastern Cape. The researcher decided to target a sample of 100 entrepreneurs who had been in business for a minimum of three years, and are based in the Eastern Cape. Convenience sampling was used to select the entrepreneurs.

3.5.2 Sample

A sample is a subgroup of the population that is being studied. It is often impossible to examine the entire population, therefore sampling tends to be more necessary and convenient. In order to obtain adequate results, the sample should be sized and structured to be statistically representative (Naoum, 2007:33). Even though the sampling method employed in this study cannot be used to generalise, it has the ability to provide the researcher with a clear indication of the situation of entrepreneurs in the Eastern Cape Province.

Evans (2010:144) distinguishes between two categories of sample types, namely, probability and non-probability samples. In probability samples, each member of the
population stands a chance of being included in the sample and the probability of each one being selected can be calculated mathematically. Probability sampling methods include strategic sampling, random sampling, and systematic sampling. Conversely, in non-probability samples, members are selected on the basis of their availability or based on the researcher’s decision that they are representative. Non-probability sampling methods include convenience sampling, judgement sampling, snowball sampling, and quota sampling. This study used the non-probability sampling method.

As aforementioned, this study made use of the convenience sampling method to select 100 entrepreneurs who have been in operation for a minimum of three years, and are based in the Eastern Cape Province. The total population of entrepreneurs in the Eastern Cape is unknown.

3.6 THE QUESTIONNAIRE

Collis and Hussey (2009:192) state that a questionnaire is a method used to collect primary data from a sample of respondents by asking a list of questions that are carefully structured and have undergone careful consideration in order to elicit reliable responses. Eiselen, Uys and Potgieter (2005) explain that questionnaires can either be self-administered, that is where the researcher leaves the questionnaire with the respondent and collects it at a later stage, or they can be in the form of a structured interview where the researcher writes down the answers during a telephonic or face-to-face interview with the respondent.

A literature review on leadership which focused on leadership attributes that are essential for entrepreneurs was conducted. After this, the researcher focused on collecting the primary data and measuring the variables. This was done through a data collection method in the form of a self-administered questionnaire that was constructed by the researcher. Prior to the final questionnaire being distributed, a pilot study was done to test for any necessary amendments. The questionnaires are attached as ‘Annexure B1’ and ‘B2’ for the original questionnaire and the amended questionnaire respectively.
3.6.1 Questionnaire design and layout

As already mentioned, the questions were based on the literature review outlined in Chapter Two. The questions sought to investigate whether the selected sample possessed the leadership attributes discussed in Chapter Two. Some of the questions used in Section B5 of the questionnaire were based on the questionnaire first developed by Chilipunde (2010:105) where he was evaluating entrepreneurs’ perception of ethics.

Eiselen et al (2005) highlight that the length of the questionnaire, especially a self-administered questionnaire, is inversely proportional to the respondents' response rate. Therefore, only questions that are directly linked to the research question should be asked. Furthermore, each question should be short, unambiguous and address only one issue. The questionnaire must be legible, on an A4 paper size and the layout not cramped so that respondents can see all the questions. These authors further state that each questionnaire must be accompanied by a well-written cover letter that explains the following:

- The purpose of the study.
- The person doing the study.
- The importance of responding.
- The time it takes to complete the questionnaire.
- The due date and how the questionnaire should be returned.
- The researcher’s contact details.
- Assurance as to whether anonymity is guaranteed.

All of the above points were taken into consideration during the design of the questionnaire and cover letter for this study. The purpose and potential positive impact of the study were explained to respondents. The cover letter and the original and amended questionnaires are attached as Annexures ‘A’, ‘B1’ and ‘B2’ respectively of this study. Clear instructions were given to guide the respondents on how to answer the questions.
The questionnaire comprised of two sections, namely ‘Section A’ and ‘Section B’. The first section comprised of the biographical information. This entailed the gender, age, highest qualification, race, years in business, the reason for starting a business, as well as to whether the respondent had ever failed as an entrepreneur.

The second section comprised of questions on leadership attributes. These were based on the literature discussed on Chapter Two of this study. Closed-ended questions were used in order to elicit consistent responses.

The questions were anchored to a five-point Likert scale, ranging from strongly disagree (1), to disagree (2), to neutral (3), to agree (4), and to strongly agree (5). It was also ensured by all possible means that respondents understood the meaning of questions through the use of colloquial expressions.

In order to analyse and interpret the data obtained from the survey, descriptive statistics were used for the statistical analysis. The means, standard deviations, minimum and maximum values were calculated with the assistance of a statistician from the Nelson Mandela Metropolitan University. The descriptive statistics were then displayed using graphs and tables.

### 3.7 Validity and Reliability

Validity and reliability are terms associated with measuring instruments and serve as a basis for testing the integrity of the research. This raises the importance of conforming to the requirements of validity and reliability. Saunders, Lewis and Thornhill (2003:309) are of the view that the validity and reliability of a question depends on whether the question and the answer makes sense. Figure 3.1 illustrates the four stages described by Saunders et al. that are necessary for a question to achieve validity and reliability. Salkind (2000:105) argues that the accuracy of the questionnaire has a direct influence on the accuracy of the results, and consequently the conclusions drawn from the study. Many research studies fail because of poorly formulated questionnaires that are neither valid nor reliable. The following section will outline the two concepts.
3.7.1 Validity

The validity of a measuring instrument refers to the extent which it is accurate and measures what it is supposed to measure (Leedy and Ormrod, 2005:29). There are numerous types of validity described by Olivier (2007:62), namely, face validity, content validity, criterion validity, and construct validity. Face validity describes the extent to which a measuring instrument, on the surface, appears to measure a certain characteristic or criterion. It is useful for ensuring the cooperation of the respondents. Content validity represents the degree which the measuring instrument covers a representative sample of the measured content area, while criterion validity represents the degree of correlation of the results of a measurement with one another. Moreover, construct validity relates to the challenge that certain characteristics cannot be observed directly, but must rather be inferred from people’s patterns of behaviour. Collis and Hussey (2009:65) describe these as hypothetical constructs.

This study made use of a questionnaire which measured the variables of leadership that were based on a literature review, thus ensuring content validity.
3.7.2 Reliability

Reliability refers to the extent which the research would yield the same results if it were repeated (Collis and Hussey, 2009:64). In other words, the measuring instrument should be consistent. Leedy and Ormrod (2001:100) suggest that the reliability of a measuring instrument can be enhanced in the following ways:

- There must be consistency in the way the measuring instrument is administered. It must be standardised.
- There must be specific criteria that dictate the types of judgements made by the researcher.
- Research assistants should be trained to use the instrument so that they obtain similar results.

The reliability of responses can be estimated in three common ways and Collis and Hussey (2009:204) suggest the following:

- Test re-test method – this method entails distributing the same questionnaire twice to the same group of respondents to test whether it will yield the same results.
- Split-halves method – this method divides the questionnaires or interview record sheets equally into two halves to compute the correlation of the two data sets.
- Internal consistency method – this method evaluates the extent to which an item correlates with other items within the same instrument, thereby yielding the same results. The Cronbach alpha is one of the most commonly used methods to calculate internal consistency.

To enhance the reliability of a measuring instrument, Singleton, Straits and Straits (1993:121) add that the researcher may conduct experiments on a small sample of people who have similar characteristics to the target group or conduct exploratory studies in the area of the research problem. In the case of this study, both were conducted - a literature review as discussed in Chapter Two, as well as a pilot study that was conducted on a small sample of entrepreneurs. The pilot study ensured that all questions were unambiguous, relevant and understandable.
The Table 3.2 summarises the results of the questionnaire’s reliability test. As shown on the table, all the variables produced a Cronbach alpha that is above the acceptable minimum level of 0.50 (Pierce and Dunham, 1978:163). This is a reflection of the internal consistency of the questionnaire, that is, the extent to which all the variables measure the same concept.

Table 3.2 Reliability of the questionnaire: Cronbach Alphas

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership style</td>
<td>0.81</td>
</tr>
<tr>
<td>Vision</td>
<td>0.58</td>
</tr>
<tr>
<td>Networking</td>
<td>0.75</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>0.64</td>
</tr>
<tr>
<td>Ethics</td>
<td>0.95</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

### 3.8 DATA ANALYSIS TECHNIQUES

The data obtained from the empirical survey was analysed in the same order that it appears on the questionnaire, namely Section A and Section B. This was done with the assistance of a statistician from the Nelson Mandela Metropolitan University who calculated the means, standard deviations, range and minimum and maximum values. The descriptive statistics were also presented by using graphs and tables.

In addition, regression analysis was used to investigate relationships between a dependent variable and one or more independent variables. In order to test the hypotheses formulated in Chapter One of this research study, various tests which used the significance level of 5% were conducted. These included the following tests:

- Analysis Of Variance (ANOVA)
  \[ p = \text{probability of } H_0 \text{ being true. If } p < \alpha = 0.05, H_0 \text{ will be rejected.} \]

- Independent T-tests
  \[ p = \text{probability of } H_0 \text{ being true. If } p < \alpha = 0.05, H_0 \text{ will be rejected.} \]
Pearson’s Correlation Analysis

Using the correlation tests, the relationship between two sets of variables were investigated, where one variable was an independent variable and the other a dependent variable. The correlation coefficient ($r$) was calculated and then a hypothesis test was conducted to evaluate the significant difference between the correlation coefficient and zero. The hypothesis test is as follows:

$H_0: r = 1$

$H_1: r = 0$ or $r < 1$

$\alpha = 0.05$

The null hypothesis would then either be accepted or rejected, depending on the test’s outcome and statistical evidence. If it is rejected, the alternative hypothesis (as outlined in Chapter One) would then be accepted. Also, as discussed in Chapter One, the null hypotheses were formulated as follows:

$H_{01}$ = Leadership style exerts no impact on the success of entrepreneurs.

$H_{02}$ = Vision exerts no impact on the success of entrepreneurs.

$H_{03}$ = Networking exerts no impact on the success of entrepreneurs.

$H_{04}$ = Risk-taking exerts no impact on the success of entrepreneurs

$H_{05}$ = Ethics exert no impact on the success of entrepreneurs.

The results of the tests will be discussed in the following chapter, Chapter Four, where they will be analysed, interpreted and used for decision-making with regards to the acceptance or rejection of the formulated hypotheses.

### 3.9 CONCLUSION

This chapter provided an outline of the methodology used to conduct this research study. The research paradigm, sampling and data collection were discussed. The data collection method was discussed, in which a questionnaire was used as a measuring instrument. A pilot study was conducted prior to distributing the final questionnaire to the envisaged sample of 100 entrepreneurs who have been in business for a minimum of three years. The validity and reliability of the questionnaire were ensured.
The following chapter, Chapter Four, will provide the results of the empirical survey and an analysis of the descriptive statistics with regards to the measured variables and the entrepreneurs’ perspectives.
CHAPTER FOUR  
PRESENTATION AND INTERPRETATION OF STATISTICAL RESULTS

4.1 INTRODUCTION

The previous chapter, Chapter Three, outlined the research methodology used to undertake this research study. This entailed the research population and sample; the reliability and validity of the methodology, as well as the data collection and analysis processes. Through the use of a questionnaire to gather data, the quantitative research method was employed.

The primary objective of this study was to investigate the impact of leadership attributes on the success of entrepreneurs. The aim of this chapter is to present, analyse and interpret the data collected. To achieve this, various data tables and graphs will be used. Consequently, the researcher will present the findings of this research which will be discussed in relation to the hypotheses formulated in Chapter One. The conclusions will be discussed in the following chapter, Chapter Five, of this study.

4.2 QUESTIONNAIRE RESPONSES

Out of 100 questionnaires that were distributed to entrepreneurs who have been in business for a minimum of three years and based in the Eastern Cape, 89 responses were received. This translated to a response rate of 89 percent, which is illustrated in Table 4.1 and Figure 4.1.

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample</td>
<td>100</td>
</tr>
<tr>
<td>Total received</td>
<td>89</td>
</tr>
<tr>
<td>Spoilt responses</td>
<td>0</td>
</tr>
<tr>
<td>Total outstanding</td>
<td>11</td>
</tr>
<tr>
<td>Total response rate (%)</td>
<td>89</td>
</tr>
</tbody>
</table>

Source: Author's own construct from analysis of survey results
A response rate of 50 percent is regarded by Bryman and Bell (2007:244) as large enough to perform meaningful and acceptable statistical analysis and interpretation, as well as an acceptable generalisation of the population. This research study yielded a response rate of 89 percent, and thus enabling acceptable and meaningful statistical analysis, as well as obtaining an indication of the possible general finding.

### 4.3 CODING OF THE QUESTIONNAIRE

The entrepreneurs’ perceptions of the leadership attributes were determined from their responses to the questionnaire statements. The data was analysed by using a Microsoft Excel computer program where a number was first allocated to each question. The aim was for easier analysis and interpretation of each question in the questionnaire. The data analysis further consisted of the calculation of the means, medians and standard deviations. Correlations among the variables were also investigated, while Analysis of Variance (ANOVA) tests were also conducted. The following section will present and analyse the data in the same order that the questions appear on the questionnaire, namely the demographic information and leadership attributes as sections A and B respectively.
4.4 ANALYSIS AND INTERPRETATION OF DEMOGRAPHIC INFORMATION

Biographical data such as the respondent’s gender, age, highest qualification, race, years in business, reason for starting a business, and whether they had failed in business was collected in Section A of the questionnaire. This is depicted in Figures 4.2 to Figure 4.7 and in Table 4.2.

4.4.1 Gender

The respondents comprised 54 percent males and 46 percent females. This is illustrated below in Figure 4.2.

Figure 4.2 Gender of respondents

![Gender Pie Chart]

Source: Author's own construct from analysis of survey results

The above analysis shows that male respondents outnumber the female respondents. The difference is however not so large.

4.4.2 Age

The largest percentage of the respondents was made up of entrepreneurs who fall between the ages of 31 and 40 years. This group made up 35 percent of the respondents. This group was followed by entrepreneurs who were between the ages of 21 and 30 years and made up 32 percent of the respondents. The remaining age groups were between the ages of 41 and 50 years, 51 and 60 years, and above 60 years.
years, who made up 15 percent, 12 percent, and six percent of the respondents respectively. This diversity in age profiles is illustrated in Figure 4.3.

**Figure 4.3 Age of respondents**

![Age Distribution Pie Chart]

Source: Author’s own construct from analysis of survey results

The close gap of 35 and 32 percent in respondents who fall between the ages of 21 to 30 years and 31 to 40 years could mean that the responses were dominated by a mixture of the age groups rather than one group only. A combination of these two groups results in 67 percent of total respondents.

### 4.4.3 Qualification

As illustrated on Figure 4.4, there was an equal number of respondents whose highest qualification was a grade 12 certificate and those who hold a degree or a diploma. Both groups yielded a result of 27 percent each. These groups were followed by respondents who hold a post-graduate degree and made up 21 percent of respondents. The remaining respondents hold a technical college certificate or a business related certificate and comprised 15 percent and 10 percent of the respondents respectively.
4.4.4 Race

The majority of respondents were of African race and comprised 59 percent of respondents. This was followed by the White race who made up 29 percent of respondents. The remaining were Asian and Coloureds, who each made up a total of six percent. This is illustrated in Figure 4.5.
4.4.5 Years in business

As depicted in Figure 4.6, the majority of respondents had between three and five years in business. This was followed by those who had between six and nine years in business. Each of the groups made up 37 and 25 percent respectively. The remaining respondents fell into the bracket of 10 to 15 years, 16 to 20 years, and above 20 years. These comprised 19 percent, seven percent, and 12 percent respectively.

Figure 4.6 Respondent’s years in business

Upon grouping the three to five years and the six to nine years categories, it is evident that the majority of the respondents fall within these two groups as they comprise a total of 62 percent.

4.4.6 Reason for starting a business

The majority of respondents, 30 percent, started a business because they wanted to be self-employed, while 24 percent started upon recognising an opportunity in the market. This was then followed by 17 percent who started because they were unemployed. The remainder started purely to either generate a profit, to be
recognised as businessmen/women, because the government wants more entrepreneurs, or for other reasons. These comprised of eight percent, 15 percent, two percent, and four percent respectively. Table 4.2 depicts these results.

Table 4.2  Respondents’ reason for starting a business

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purely to generate profit</td>
<td>8</td>
</tr>
<tr>
<td>I was unemployed</td>
<td>17</td>
</tr>
<tr>
<td>I wanted to be recognised as a businessman/woman</td>
<td>15</td>
</tr>
<tr>
<td>I recognised an opportunity in the market</td>
<td>24</td>
</tr>
<tr>
<td>I wanted to be self-employed</td>
<td>30</td>
</tr>
<tr>
<td>The government wants us to be entrepreneurs</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

4.4.7 Past business failure

As illustrated in Figure 4.7, 63 percent of the respondents indicated that they had never failed in business before, while the rest had failed.

Figure 4.7  Respondents’ past business failure

Source: Author’s own construct from analysis of survey results
4.4.8 Summary of demographic information

The information above reveals that there were slightly more males than females, while the age was widely distributed but dominated by entrepreneurs between the ages of 21 and 40 years. In terms of qualifications, there was an equal representation of entrepreneurs who hold a grade 12 certificate and those who hold a degree or diploma, both comprising 27 percent of the sample. The respondents were dominated by Africans (representing 59 percent), and then Whites (representing 29 percent), the representation of Asians and Coloured was equal at six percent each. It was further revealed that the top three reasons chosen for starting a business were because they wanted to be self-employed (representing 30 percent), recognised an opportunity in the market (representing 24 percent), and they were unemployed (representing 17 percent). In addition, 63 percent of the respondents indicated that they had never failed in business.

4.5 ANALYSIS AND INTERPRETATION OF SECTION B: LEADERSHIP ATTRIBUTES

The aim of this section is to analyse and interpret the descriptive statistics for the individual questionnaire statements within each of the attributes as well as the overall aggregated scores regarding the determination of the impact of leadership attributes to the success of entrepreneurs.

4.5.1 Descriptive statistics: Individual questionnaire statements

ATTRIBUTE B1: LEADERSHIP STYLE

B1_1: I am able to switch between different leadership styles according to a situation (e.g. give honest feedback, acknowledge good performance, have tough conversations, reprimand employees and handle crises).

Ten percent of the respondents each strongly disagreed and disagreed, 11 percent were neutral, 37 percent agreed, while 32 percent strongly agreed that they were able to switch between different leadership styles according to a situation.
B1_2: *The well-being of my employees is more important than profit.*

Six percent of the respondents strongly disagreed, 16 percent disagreed, 18 percent were neutral, while 42 percent agreed and 18 percent strongly agreed that the well-being of their employees was more important than profit.

B1_3: *I monitor every move that my employees make in order to ensure that the job is done (micro-management).*

Ten percent of the respondents strongly disagreed, 21 percent disagreed, five percent were neutral, while 29 percent agreed, and 35 percent strongly agreed that they monitor every move that their employees make in order to ensure that the job is done.

B1_4: *I am able to quickly make long-term decisions during a crisis.*

Eight percent each of the respondents strongly disagreed and disagreed, 22 percent were neutral, while 35 percent agreed, and 27 percent strongly agreed that they are able to quickly make long-term decisions during a crisis.

B1_5: *The success of my business depends on me and my employees, rather than myself only.*

11 percent of the respondents strongly disagreed, five percent disagreed, eight percent were neutral, while 29 percent agreed and 47 percent strongly agreed that the success of their businesses depends on themselves as well as their employees, rather than themselves only.

B1_6: *I am more comfortable with routine than responding to crises.*

14 percent of the respondents strongly disagreed, 16 percent disagreed, 18 percent were neutral, while 31 percent agreed and 21 percent strongly agreed that they are more comfortable with routine than responding to crises.
B1_7: *I can confidently say that my employees support and trust me.*

Seven percent of the respondents strongly disagreed, six percent disagreed, 11 percent were neutral, while 41 percent agreed, and 35 percent strongly agreed that they are confident that their employees support and trust them.

B1_8: *Furthering my qualifications is essential for effective leadership.*

Nine percent of the respondents strongly disagreed, 15 percent disagreed, 16 percent were neutral, while 26 percent agreed, and 34 percent strongly agreed that furthering their qualifications was essential for effective leadership.

B1_9: *I am able to differentiate between a manager and a leader.*

Six percent of the respondents strongly disagreed, three percent disagreed, 12 percent were neutral, while 33 percent agreed, and 46 percent strongly agreed that they were able to differentiate between a manager and a leader.

In this section, all the responses were on the positive side. The following responses, however, stood out:

Regarding B1_5, over 76 percent of the entrepreneurs agreed or strongly agreed that the success of their businesses was dependent on themselves as well as their employees. This indicates their acknowledgement of the role played by employees in the business and the need to empower them.

Over 76 percent of the entrepreneurs agreed or strongly agreed on B1_7 regarding their confidence in the support and trust of their employees. This means that the entrepreneurs are able to inspire and promote loyalty among their employees and are not threatened by competition.

Regarding B1_9, over 79 percent of the entrepreneurs agreed or strongly agreed that they are able to differentiate between a manager and a leader. Therefore, they
understand that leadership is more than just managing a business. It requires an additional set of skills.

ATTRIBUTE B2: VISION

B2_1: *I have a clear long-term vision for my business.*

One percent each of the respondents strongly disagreed and disagreed, 16 percent were neutral, while 26 percent and 56 percent strongly agreed that they have a clear long-term vision for their businesses.

B2_2: *I can articulate my vision for my business in less than 10 words.*

Six percent of the respondents strongly disagreed, 13 percent disagreed, 15 percent were neutral, while 31 percent agreed and 35 percent strongly agreed that they can articulate their vision for their businesses in less than ten words.

B2_3: *I regularly communicate my vision with my employees.*

12 percent of the respondents strongly disagreed, 11 percent disagreed, 17 percent were neutral, while 35 percent agreed and 25 percent strongly agreed that they regularly communicate their vision with their employees.

B2_4: *I am sometimes reluctant to pursue my goals.*

20 percent of the respondents strongly disagreed, 32 percent disagreed, 22 percent each were neutral and agreed, while a further four percent strongly agreed that they were sometimes reluctant to pursue their goals.

B2_5: *The vision that I currently have is not exactly the same one that I had when I started the business.*

15 percent of the respondents strongly disagreed, 22 percent disagreed, 15 percent were neutral, while 33 percent agreed, and a further 15 percent strongly agreed that
the vision that they currently have is not exactly the one they had when they started their businesses.

As indicated below, the positive responses which stood out in the above section were:

Regarding B2_1, over 88 percent of the entrepreneurs agreed or strongly agreed that they had a clear long-term vision for their businesses. This indicates that the entrepreneurs recognise that they are responsible for creating and carrying the vision of their businesses. Moreover, they know that the main purpose of an SMME is to develop their visions.

With regards to B2_2, over 66 percent of the entrepreneurs agreed or strongly agreed that they were able to articulate their business’ vision using a maximum of ten words. This means that employees are better able to understand and adopt the vision of the business as it is clear and concise.

On the negative side, concerning B2_4, over 52 percent of the entrepreneurs disagreed or strongly disagreed that they were often reluctant to pursue their goals. This percentage indicates that the entrepreneurs make the necessary strides to achieve their goals. However, 48 percent are either indecisive about their willingness to follow their goals, or they are not brave enough to pursue their goals.

ATTRIBUTE B3: NETWORKING

B3_1: I spend a lot of time with other business people.

Six percent of the respondents strongly disagreed, 21 percent disagreed, 17 percent were neutral, while 27 percent agreed and 29 percent strongly agreed that they spent a lot of time with other business people.
**B3_2: Most of the knowledge that I have about running a business, I have gained through networking.**

15 percent of the respondents strongly disagreed, 22 percent disagreed, 17 percent were neutral, while 30 percent agreed and 16 percent strongly agreed that most of their business knowledge was gained through networking.

**B3_3: I only consult with my networks when I need assistance/advice.**

16 percent of the respondents strongly disagreed, 29 percent disagreed, 16 percent were neutral, while 30 percent agreed and nine percent strongly agreed that they only consult their networks when they need assistance or advice.

**B3_4: I am affiliated to business association(s) e.g. NAFCOC, BMF, Border Kei Chamber, etc.**

27 percent of the respondents strongly disagreed, 23 percent disagreed, 15 percent were neutral, while 25 percent agreed and 10 percent strongly agreed that they were affiliated to a business association.

**B3_5: As my business grows, I have also changed my networks.**

18 percent of the respondents strongly disagreed, 12 percent disagreed, 24 percent were neutral, while 32 percent agreed and 14 percent strongly agreed that their networks have changed as the business has been growing.

**B3_6: I prefer to discuss my business with people in my social circles e.g. friends rather than with strangers.**

Nine percent of the respondents strongly disagreed, 23 percent disagreed, 21 percent were neutral, while 28 percent agreed and 19 percent strongly agreed that they prefer to discuss their businesses with people in their social circles than with strangers.
B3_7: *My business would not be where it is today without my networks of other business people.*

16 percent of the respondents strongly disagreed, 11 percent disagreed, 19 percent were neutral, while 29 percent agreed and 25 percent strongly agreed that their businesses would not be where they currently were without their networks of other business people.

B3_8: *Having a mentor contributes significantly towards business growth.*

13 percent of the respondents strongly disagreed, 16 percent disagreed, another 16 percent were neutral, while 29 percent agreed and 26 percent strongly agreed that having a mentor contributes significantly towards business growth.

The following positive responses stand out in this section:

B3_1: Over 55 percent of the entrepreneurs agreed or strongly agreed they spend a lot of time with other business people for networking purposes.

B3_7: Over 54 percent of the entrepreneurs agreed or strongly agreed on the positive role played by their networks of other business people to their current business positions.

B3_8: Over 55 percent of the entrepreneurs agreed or strongly agreed that having a mentor is beneficial for the growth of the business.

A negative response was noted for statement B3_4.

Over 50 percent of the entrepreneurs disagreed or strongly disagreed that they were affiliated to a business association. This means that they do not see any value that would be added by such affiliations to the success of their businesses.
ATTRIBUTE B4: RISK-TAKING

B4_1: *I take time to think carefully before taking a risk (weighing the pro’s and con’s).*

Seven percent each of the respondents strongly disagreed and disagreed, 12 percent were neutral, while 38 percent agreed and 36 percent strongly agreed that they take time to think carefully before taking a risk, thereby weighing the pro’s and the con’s.

B4_2: *Generally, I take a lot of risks in my business*

Ten percent of the respondents strongly disagreed, 26 percent disagreed, 29 percent were neutral, while 19 percent agreed and 16 percent strongly agreed that they generally take numerous risks in their businesses.

B4_3: *I regularly explore new and different things, e.g. bidding for a contract in a different industry.*

11 percent of the respondents strongly disagreed, 24 percent disagreed, 26 percent were neutral, while 28 percent agreed and 11 percent strongly agreed that they regularly explored new and different things, such as, bidding for a contract in a different industry.

B4_4: *I evaluate the risks I take according to the profit I will make.*

Nine percent of the respondents strongly disagreed, 12 percent disagreed, 14 percent were neutral, while 41 percent agreed and 24 percent strongly agreed that they evaluate the risks they take according to the potential profit that will be made.

In this section, only one indecisive response stood out (B4_2), while the following positive responses stood out:
B4_1: Over 74 percent of the entrepreneurs agreed or strongly agreed that they evaluate risks thoroughly prior to taking them.

B4_2: There was only a difference of one percent between those entrepreneurs who agreed or strongly agreed (34 percent) and those who disagreed and strongly disagreed (35 percent) that they generate take a lot of risks in their businesses.

B4_4: Over 64 percent of the entrepreneurs agreed or strongly agreed that profit plays a role in the kind of risks that they take.

ATTRIBUTE B5: ETHICS - TO WHAT EXTENT DO YOU AGREE THAT THE FOLLOWING LEAD TO UNETHICAL BEHAVIOUR?

B5_1: Two companies collaborating secretly to the fix price of a tender (colluding).

33 percent of the respondents strongly disagreed, 13 percent disagreed, 11 percent were neutral, while 10 percent agreed and 33 percent strongly agreed that it is unethical behaviour for two companies to collaborate secretly to fix the price of a tender.

B5_2: Non-accurate tax submission to SARS.

33 percent of the respondents strongly disagreed, 19 percent disagreed, five percent were neutral, while 10 percent agreed and 33 percent strongly agreed that it is unethical behaviour to submit non-accurate tax returns to the South African Revenue Services (SARS).

B5_3: One entrepreneur pricing two or more documents for the same tender.

36 percent of the respondents strongly disagreed, 17 percent disagreed, 12 percent were neutral, while 10 percent agreed and 25 percent strongly agreed that it is unethical behaviour when one entrepreneur prices two or more documents for the same tender.
B5_4:  *Document pricing done for the entrepreneur by a professional from the awarding firm in exchange for money.*

37 percent of the respondents strongly disagreed, 12 percent disagreed, 15 percent were neutral, while 11 percent agreed and 25 percent strongly agreed that it is unethical behaviour when document pricing is done for the entrepreneur by a professional from the awarding firm in exchange for money.

B5_5:  *Using corrupt ways to obtain a tender (political influence or bid rigging, e.g. bribery, kickbacks, undisclosed gifts, etc).*

48 percent of the respondents strongly disagreed, 10 percent disagreed, another 10 percent were neutral, while seven percent agreed and 25 percent strongly agreed that it is unethical behaviour when the entrepreneur uses corrupt ways such as bribery, kickbacks, undisclosed gifts, and more, to obtain a tender.

B5_6:  *Non-adherence to corporate governance.*

40 percent of the respondents strongly disagreed, 11 percent disagreed, 13 percent were neutral, while eight percent agreed and 28 percent strongly agreed that non-adherence to corporate governance is unethical behaviour.

In this section, all the responses were on the negative side with regards to their perceptions of practices relating to unethical behaviour. This means that the entrepreneurs do not perceive ethics as a contributing factor to the growth of their businesses.

4.5.2  **Descriptive statistics: Attribute mean and standard deviation scores**

The aim of this section is to illustrate and analyse the descriptive statistics within the individual statements of Section B of this study. The mean scores of each attribute as well as the items which stand out more negatively or more positively are also highlighted. All of this is illustrated in Tables 4.5 to 4.8.
4.5.2.1 Leadership style

The Table 4.3 illustrates the descriptive statistics for attribute B1 of this study, namely leadership. The items which stand out are highlighted in red.

As illustrated in Table 4.3, all the items in this section have a mean which is above 2.5. Statement B1_9 has the highest mean of 4.1 which indicates that the respondents are able to differentiate between a manager and a leader. This coincides with the results in section 4.5.1 where 79 percent of the respondents strongly agreed or agreed.

**Table 4.3 Descriptive statistics: Leadership style**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Valid N</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1_1</td>
<td>88</td>
<td>3.69</td>
<td>1</td>
<td>5</td>
<td>1.3</td>
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<td>B1_2</td>
<td>88</td>
<td>3.51</td>
<td>1</td>
<td>5</td>
<td>1.13</td>
</tr>
<tr>
<td>B1_3</td>
<td>86</td>
<td>3.57</td>
<td>1</td>
<td>5</td>
<td>1.42</td>
</tr>
<tr>
<td>B1_4</td>
<td>86</td>
<td>3.64</td>
<td>1</td>
<td>5</td>
<td>1.2</td>
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<td>B1_5</td>
<td>89</td>
<td>3.97</td>
<td>1</td>
<td>5</td>
<td>1.33</td>
</tr>
<tr>
<td>B1_6</td>
<td>87</td>
<td>3.29</td>
<td>1</td>
<td>5</td>
<td>1.34</td>
</tr>
<tr>
<td>B1_7</td>
<td>88</td>
<td>3.92</td>
<td>1</td>
<td>5</td>
<td>1.15</td>
</tr>
<tr>
<td>B1_8</td>
<td>87</td>
<td>3.64</td>
<td>1</td>
<td>5</td>
<td>1.31</td>
</tr>
<tr>
<td>B1_9</td>
<td>87</td>
<td><strong>4.1</strong></td>
<td>1</td>
<td>5</td>
<td>1.11</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

4.5.2.2 Vision

As seen on Table 4.4 which depicts the descriptive statistics for section B2 of this study, all the items have a mean which is above 2.5. Statement B2_4, however, has a mean of 2.58 which indicates that entrepreneurs were neutral with regards to their determination to pursue their goals. This coincides with the results stated in section 4.5.1.
The statement B2_1 has the highest mean of 4.34 which illustrates that the entrepreneurs acknowledge the need for a long term vision for their businesses in order to be successful.

### Table 4.4 Descriptive statistics: Vision

<table>
<thead>
<tr>
<th>Statement</th>
<th>Valid N</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Standard Deviation</th>
</tr>
</thead>
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<tr>
<td>B2_1</td>
<td>88</td>
<td>4.34</td>
<td>1</td>
<td>5</td>
<td>0.87</td>
</tr>
<tr>
<td>B2_2</td>
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<td>3.76</td>
<td>1</td>
<td>5</td>
<td>1.22</td>
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<td>B2_3</td>
<td>89</td>
<td>3.48</td>
<td>1</td>
<td>5</td>
<td>1.32</td>
</tr>
<tr>
<td>B2_4</td>
<td>88</td>
<td>2.58</td>
<td>1</td>
<td>5</td>
<td>1.17</td>
</tr>
<tr>
<td>B2_5</td>
<td>89</td>
<td>3.11</td>
<td>1</td>
<td>5</td>
<td>1.32</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

As discussed above, the mean scores displayed in Table 4.4 reveal that entrepreneurs realise the importance of a vision for the success of their businesses. This is despite the fact that they are often reluctant to pursue their goals.

4.5.2.3 Networking

The Table 4.5 illustrates the descriptive statistics for the networking attribute of this study. A mean that is above 2.5 was obtained by all the statements. Even though statement B3_4 has a mean of 2.67 which indicates that the respondents neither agree nor disagree that they network through affiliations to business associations.

### Table 4.5 Descriptive statistics: Networking

<table>
<thead>
<tr>
<th>Statement</th>
<th>Valid N</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>B3_1</td>
<td>89</td>
<td>3.53</td>
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<td>5</td>
<td>1.27</td>
</tr>
<tr>
<td>B3_2</td>
<td>89</td>
<td>3.1</td>
<td>1</td>
<td>5</td>
<td>1.32</td>
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<td>89</td>
<td>2.88</td>
<td>1</td>
<td>5</td>
<td>1.26</td>
</tr>
<tr>
<td>B3_4</td>
<td>89</td>
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<td>1</td>
<td>5</td>
<td>1.37</td>
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<td>B3_6</td>
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<td>3.26</td>
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<td>1.26</td>
</tr>
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<td>B3_7</td>
<td>89</td>
<td>3.36</td>
<td>1</td>
<td>5</td>
<td>1.38</td>
</tr>
<tr>
<td>B3_8</td>
<td>89</td>
<td>3.38</td>
<td>1</td>
<td>5</td>
<td>1.38</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results
As aforementioned in section 4.5.1, there was a slight difference between those respondents who agreed and those who strongly disagreed, representing 25 percent and 27 percent respectively with the statement regarding business associations. This indicates that entrepreneurs may not see the relevance of business associations to their businesses.

4.5.2.4 Risk-Taking

Table 4.6 illustrates that all the items obtained an above-average mean. There were no major differences between the mean scores of the items.

**Table 4.6 Descriptive statistics: Risk-Taking**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Valid N</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Standard Deviation</th>
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</thead>
<tbody>
<tr>
<td>B4_1</td>
<td>89</td>
<td>3.9</td>
<td>1</td>
<td>5</td>
<td>1.17</td>
</tr>
<tr>
<td>B4_2</td>
<td>89</td>
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<td>1</td>
<td>5</td>
<td>1.22</td>
</tr>
<tr>
<td>B4_3</td>
<td>89</td>
<td>3.04</td>
<td>1</td>
<td>5</td>
<td>1.2</td>
</tr>
<tr>
<td>B4_4</td>
<td>88</td>
<td>3.58</td>
<td>1</td>
<td>5</td>
<td>1.24</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

The table above indicates that the respondents are in agreement that they do take risks. They acknowledge the positive value of taking risks in order for their businesses to succeed.

4.5.2.5 Ethics

As illustrated on Table 4.7, all the items show mean scores that are neutral. This means that entrepreneurs are indifferent with regards to the importance and relevance of ethics to their businesses. This means that they may be willing to engage or have engaged in unethical practices in order to benefit their businesses.
### Table 4.7 Descriptive statistics: Ethics

<table>
<thead>
<tr>
<th>Statement</th>
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<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Standard Deviation</th>
</tr>
</thead>
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<tr>
<td>B5_1</td>
<td>89</td>
<td>2.97</td>
<td>1</td>
<td>5</td>
<td>1.7</td>
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<td>5</td>
<td>1.63</td>
</tr>
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<td>1</td>
<td>5</td>
<td>1.7</td>
</tr>
<tr>
<td>B5_6</td>
<td>88</td>
<td>2.74</td>
<td>1</td>
<td>5</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

This section discussed the descriptive statistics for Section B of the questionnaire, which entailed the leadership attributes. The responses of the entrepreneurs were discussed as well as those responses which stand out. The following section will discuss the correlations among the various questionnaire statements as well as among the variables outlined in this study.

### 4.6 CORRELATIONS

This section outlines the correlations across the individual statements within each of the leadership attributes of entrepreneurs. This is reflected in Tables 4.9 to 4.12, the items highlighted in red indicate statistically significant correlations ($p < 0.05$). The strengths of the relationships range from weak ($0.25 < r < 0.5$) to moderate ($0.5 < r < 0.7$) and strong ($r > 0.7$).

#### 4.6.1 Leadership style

The Table 4.8 below indicates the strength of the relationships among the responses to the statements in the leadership style section (B1). As per the table, there are positive linear relationships among the majority of the responses to the statements. The $r$ indices are widely distributed ($-1 < r > 1$). There are, however, relationships which stand out, such as the following items which show a moderate positive linear relationship:

A moderate positive linear relationship ($r = 0.631$) exists between the responses regarding the ability to make long-term decisions during crises (B1_4) and the ability to switch between different leadership styles (B1_1).
Another moderate positive linear relationship exists between the responses to statement B1_5, regarding the dependency of the success of the business on the owner as well as the employees, and statements B1_1 (I am able to switch between different leadership styles according to a situation) and B1_2 (The well-being of my employees is more important than profit). This is indicated by the r values of 0.519 and 0.525 respectively.

Statement B1_7, regarding the entrepreneurs’ confidence of the support and trust obtained from their employees, and statement B1_1 regarding the importance of employee well-being than profit, also show a moderate positive linear relationship (r = 0.564).

A moderate positive linear relationship also exists between statement B1_9, regarding the ability to differentiate between a manager and a leader, and statement B1_5, regarding the dependency of the business’ success on the employees as well as the entrepreneur (r = 0.524).

**Table 4.8  Leadership style correlations**

<table>
<thead>
<tr>
<th>Statement</th>
<th>B1_1</th>
<th>B1_2</th>
<th>B1_3</th>
<th>B1_4</th>
<th>B1_5</th>
<th>B1_6</th>
<th>B1_7</th>
<th>B1_8</th>
<th>B1_9</th>
</tr>
</thead>
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</tr>
<tr>
<td>B1_3</td>
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<td>1.000</td>
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<td></td>
</tr>
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<td>B1_4</td>
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<td>0.271</td>
<td>1.000</td>
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<td>0.525</td>
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</tr>
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<td></td>
</tr>
<tr>
<td>B1_7</td>
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<td>0.368</td>
<td>0.264</td>
<td>0.389</td>
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<td>1.000</td>
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<td></td>
</tr>
<tr>
<td>B1_8</td>
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<td>0.106</td>
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<td>0.186</td>
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<td>0.138</td>
<td>0.380</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
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<td>0.299</td>
<td>0.287</td>
<td>0.401</td>
<td>0.524</td>
<td>-0.028</td>
<td>0.314</td>
<td>0.212</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

The Table above indicates that, according to the respondents, there is a positive linear relationship between leadership style and entrepreneur success. On average, it is a weak relationship.
4.6.2 Vision

The Table 4.9 shows the strength of the various relationships among the entrepreneurs’ responses to the statements regarding vision. A moderate positive linear relationship exists between statements B2_3 (I regularly communicate my vision with my employees) and B2_2 (I can articulate my vision for my business in less than 10 words). This is indicated by the r index of 0.636. It was also noted that statement B2_4 (I am sometimes reluctant to pursue my goals) has a weak negative linear relationship with all the other statements. The relationships between the other responses are mostly weak even though they are positive.

On average, the Table 4.9 below indicates a weak positive linear relationship between the responses, while there is a moderate positive linear relationship between B2_3 and B2_2. Statement B2_4 has no statistical significance as it does not correlate with any other statements.

Table 4.9 Vision correlations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
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</tr>
<tr>
<td>B2_2</td>
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<td></td>
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</tr>
<tr>
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</tr>
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</tr>
<tr>
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<td>0.322</td>
<td>0.281</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

4.6.3 Networking

As illustrated in Table 4.10, there is a moderate positive correlation of $r = 0.501$ between statements B3_5 and B3_2. A moderate positive correlation of 0.602 is displayed between statements B3_7 and B3_5. Furthermore, statement B3_8 also shows a slight positive correlation between statements B3_2 and B3_7, which show an r index of 0.531 and 0.546 respectively.
Table 4.10 Networking correlations

<table>
<thead>
<tr>
<th>Statement</th>
<th>B3_1</th>
<th>B3_2</th>
<th>B3_3</th>
<th>B3_4</th>
<th>B3_5</th>
<th>B3_6</th>
<th>B3_7</th>
<th>B3_8</th>
</tr>
</thead>
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<td></td>
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<td></td>
</tr>
<tr>
<td>B3_2</td>
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<td>1.000</td>
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<td>0.501</td>
<td>0.342</td>
<td>0.198</td>
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<td></td>
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</tr>
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<td>B3_6</td>
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<td>0.149</td>
<td>0.196</td>
<td>0.128</td>
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<td>1.000</td>
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</tr>
<tr>
<td>B3_7</td>
<td>0.149</td>
<td>0.339</td>
<td>0.324</td>
<td>0.299</td>
<td>0.602</td>
<td>0.265</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>B3_8</td>
<td>0.090</td>
<td>0.531</td>
<td>0.440</td>
<td>0.390</td>
<td>0.310</td>
<td>0.270</td>
<td>0.546</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

The above table illustrates the moderate positive correlation that exists between statement B3_5 (as the business grows, networks also change) and statement B3_2 (most of the business knowledge is gained through networking). This is represented by the r index of 0.501. In addition, a moderate positive linear relationship (r = 0.602) is illustrated between the entrepreneurs’ perceptions of the influence of networks to their businesses (B3_7) and that networks change as the business grows (B3_5).

Another moderate positive linear relationship was identified between the entrepreneurs’ perceptions of the contribution made by a mentor to business growth (B3_8) and the business knowledge gained through networking (B3_2), where r = 0.531, as well as their perceptions of the contribution made by networks to the current positions of their businesses (B3_7), where r = 0.546. There were also a few weak negative linear relationships between B3_3 and B3_1, B3_4 and B3_1, and B3_6 and B3_1. The negative correlations with B3_1 signify that the statement holds no statistical significance.

It is also noted that there are a few statistically insignificant values (p < 0.05), which indicates that networking is not a priority to the entrepreneurs.

4.6.4 Risk-Taking

As seen on Table 4.11, there is a moderate positive linear relationship of 0.507 between statement B4_4 and statement B4_1. This indicates a correlation between
the entrepreneurs’ perceptions of how they evaluate risks (B4_4) and whether they take time to think carefully prior to taking a risk (B4_1).

**Table 4.11  Risk-taking correlations**

<table>
<thead>
<tr>
<th>Statement</th>
<th>B4_1</th>
<th>B4_2</th>
<th>B4_3</th>
<th>B4_4</th>
</tr>
</thead>
<tbody>
<tr>
<td>B4_1</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B4_2</td>
<td>0.099</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B4_3</td>
<td>0.333</td>
<td>0.171</td>
<td>1.000</td>
<td></td>
</tr>
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<td>B4_4</td>
<td>0.507</td>
<td>0.350</td>
<td>0.388</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

On average, a weak positive linear relationship exists among the responses to the statements regarding risk-taking. This coincides with the results discussed in section 4.5.1 above. The results indicate that even though the entrepreneurs take risks, their perceptions towards the different types of risks differ.

**4.6.4 Ethics**

A strong positive correlation exists among all the statements regarding the ethics leadership attribute. This is illustrated in Table 4.12.

<table>
<thead>
<tr>
<th>Statement</th>
<th>B5_1</th>
<th>B5_2</th>
<th>B5_3</th>
<th>B5_4</th>
<th>B5_5</th>
<th>B5_6</th>
</tr>
</thead>
<tbody>
<tr>
<td>B5_1</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B5_2</td>
<td>0.744</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B5_3</td>
<td>0.706</td>
<td>0.760</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B5_4</td>
<td>0.694</td>
<td>0.753</td>
<td>0.751</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B5_5</td>
<td>0.736</td>
<td>0.735</td>
<td>0.828</td>
<td>0.842</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>B5_6</td>
<td>0.779</td>
<td>0.767</td>
<td>0.824</td>
<td>0.798</td>
<td>0.869</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

The positive correlation among the responses to all the statements indicates strong similarities in the perceptions of entrepreneurs with regards to the impact of ethics to the success of a business. As discussed in section 4.5.1 above, according to the responses, entrepreneurs do not perceive ethics as necessary for business success.
4.7 OVERALL TOTAL MEAN, STANDARD DEVIATION AND CORRELATION SCORES FOR THE LEADERSHIP ATTRIBUTES OF ENTREPRENEURS.

The Table 4.13 below depicts, analyses and interprets the descriptive statistics as well as the correlation matrix for each of the variables used in this study to determine the impact of leadership attributes to the success of entrepreneurs. The items highlighted in red indicate statistical significance (p < 0.05).

**Table 4.13  Overall total mean, standard deviation and correlation scores**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Descriptives</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Means</td>
<td>Std.Dev.</td>
</tr>
<tr>
<td>Leadership style</td>
<td>3.71</td>
<td>0.81</td>
</tr>
<tr>
<td>Vision</td>
<td>3.67</td>
<td>0.83</td>
</tr>
<tr>
<td>Networking</td>
<td>3.11</td>
<td>0.87</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>3.51</td>
<td>0.93</td>
</tr>
<tr>
<td>Ethics</td>
<td>2.76</td>
<td>1.51</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

The Table above shows that on average, the respondents ‘strongly agree’ with the statements relating to the leadership style variable (Section B1). This is reflected by the mean score of 3.71. Based on the mean, this means that the entrepreneurs are in agreement that an effective leadership style has an impact on the growth of the business.

The average response of entrepreneurs regarding the statements that relate to vision (Section B2) is ‘agree’. The mean score of 3.67 indicates that the entrepreneurs agree that vision as a leadership attribute has an impact on the success of their businesses. There is a strong positive linear relationship between vision and leadership style (r = 0.71).

The mean score of 3.11 for the networking variable (Section B3) reveals that, on average, the entrepreneurs agree that networking has an impact on the success of their businesses. There is a weak positive linear relationship between networking and leadership style, and with vision. These are represented by r indices of 0.42 and
0.44 respectively. This may indicate that the entrepreneurs do not recognise networking as essential as leadership style and vision for the success of their businesses.

The average response to the statements relating to the risk-taking (Section B4) variable is that entrepreneurs agree that risk-taking is necessary for the success of entrepreneurs. This is based on the mean score of 3.51. There is a moderate positive relationship between risk-taking and leadership, vision, and networking, which is indicated by a score of 0.51, 0.55 and 0.56 respectively.

Based on the mean of 2.76 for the responses relating to the ethics variable (Section B5), the entrepreneurs are ‘neutral’ as to whether ethics have an impact on the success of their businesses. A weak positive linear relationship between ethics and risk-taking was highlighted \( r = 0.29 \), otherwise there is no relationship between the responses related to ethics and the other leadership attributes.

As discussed above, entrepreneurs agree that leadership style, vision and risk-taking have an impact on the success of their businesses. Networking is also acknowledged as a necessary attributes but is not a priority. They are indifferent as to whether ethics has an impact. This means that they neither ‘agree’ nor ‘disagree’. A strong positive linear relationship exists between vision and leadership which is indicated by the \( r \) value of 0.71. In addition, a weak but positive relationship exists between networking and leadership style, and between networking and vision. There are also moderate positive linear correlations between risk-taking and leadership style, and between vision and networking. The correlations between ethics and the other variables, namely leadership, vision, networking and risk-taking are weak, thereby making them less statistically significant.

These results indicate that all the independent variables measured in the empirical survey play a role on the success of entrepreneurs, even though not all the statements are statistically significant.
4.8 DEMOGRAPHIC INFERENTIAL STATISTICS REGARDING THE DETERMINATION OF THE IMPACT OF LEADERSHIP ATTRIBUTES ON THE SUCCESS OF ENTREPRENEURS

This section will investigate any significant findings within leadership attributes and selected demographics. The significant findings within the leadership attributes that impact the success of entrepreneurs and selected demographics (gender, age, highest qualification, years in business and past business failure) will be investigated through the use of the Analysis of Variance (ANOVA) and independent t-tests.

4.8.1 Analysis by gender

The Table 4.14 below depicts the significance between gender and the perceptions of respondents on leadership attributes whose impact is used to determine the success of entrepreneurs. According to the statistical results, the p-values are above the critical p-value of \( \alpha = 0.05 \) or 0.05 significance level. This means that there is no significant difference between the responses of the males and females to all the variables. Leadership (\( p = 0.1194 \)), vision (\( p = 0.8205 \)), networking (\( p = 0.4903 \)), risk-taking (\( p = 0.4235 \)) and ethics (\( p = 0.5588 \)).

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean Male</th>
<th>Mean Female</th>
<th>t-value</th>
<th>Df</th>
<th>P</th>
<th>Valid N Male</th>
<th>Valid N Female</th>
<th>Std.Dev. Male</th>
<th>Std.Dev. Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>3.83</td>
<td>3.57</td>
<td>1.57</td>
<td>87</td>
<td>0.1194</td>
<td>48</td>
<td>41</td>
<td>0.76</td>
<td>0.84</td>
</tr>
<tr>
<td>Vision</td>
<td>3.65</td>
<td>3.70</td>
<td>-0.23</td>
<td>87</td>
<td>0.8205</td>
<td>48</td>
<td>41</td>
<td>0.82</td>
<td>0.86</td>
</tr>
<tr>
<td>Networking</td>
<td>3.17</td>
<td>3.04</td>
<td>0.69</td>
<td>87</td>
<td>0.4903</td>
<td>48</td>
<td>41</td>
<td>0.88</td>
<td>0.87</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>3.43</td>
<td>3.59</td>
<td>-0.80</td>
<td>87</td>
<td>0.4235</td>
<td>48</td>
<td>41</td>
<td>0.95</td>
<td>0.92</td>
</tr>
<tr>
<td>Ethics</td>
<td>2.84</td>
<td>2.65</td>
<td>0.59</td>
<td>87</td>
<td>0.5588</td>
<td>48</td>
<td>41</td>
<td>1.44</td>
<td>1.60</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

4.8.2 Analysis by age

As illustrated in Table 4.15, when looking at the mean column of the networking attribute, the mean score of 2.83 indicates that perceptions of the entrepreneurs who fall in the age group between 21 and 30 years differ significantly from the rest of the
age groups. Also, the mean of 4.10 in the mean column of the risk-taking attribute signifies that the perceptions of entrepreneurs between the ages of 41 and 50 years differ significantly from the other age groups in terms of the impact of risk-taking to the success of their business. The 41 -50 years age group strongly agree about the impact of risk-taking. Furthermore, the mean of 2.25 in the ethics column indicates that the age group of 21 to 31 years differs significantly as they tend to disagree that ethics have an impact on the success of their businesses. For the purposes of this section, the 51 to 60 years and the above 60 years age groups have been combined for better analysis and interpretation.

The Table 4.16 aims to depict the significance between the entrepreneurs’ age groups and their perceptions of the impact of leadership attributes to the success of their businesses. This investigation was done by using the Analysis of Variance (ANOVA) test. The values that are below the significant level of 0.05 (p < 0.05) are highlighted in red.

As seen on the Table 4.16 above, the p-values for the networking (p = 0.0350), risk-taking (p = 0.0117) and ethics (p = 0.0293) attributes are below the significant level of 0.05. This indicates that there is a significant difference in response between the age groups. According to the statistical consultant of the Nelson Mandela Metropolitan University, the 21-30 years age group differs significantly from the 41-50 years age group with regards to their perceptions of the networking, risk-taking and ethics attributes.

### Table 4.15  Statistical results by age analysis

<table>
<thead>
<tr>
<th>Age (Years)</th>
<th>Leadership</th>
<th>Vision</th>
<th>Networking</th>
<th>Risk-taking</th>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-30</td>
<td>3.66 29 0.92</td>
<td>3.39 29 0.72</td>
<td>2.83 29 0.84</td>
<td>3.18 29 0.91</td>
<td><strong>2.25</strong> 29 1.11</td>
</tr>
<tr>
<td>31-40</td>
<td>3.51 31 0.85</td>
<td>3.70 31 0.91</td>
<td>3.16 31 0.84</td>
<td>3.41 31 1.00</td>
<td>2.67 31 1.42</td>
</tr>
<tr>
<td>41-50</td>
<td>3.97 13 0.61</td>
<td>3.90 13 0.75</td>
<td>3.67 13 0.93</td>
<td><strong>4.10</strong> 13 0.77</td>
<td>3.63 13 1.73</td>
</tr>
<tr>
<td>51+</td>
<td>3.98 16 0.50</td>
<td>3.95 16 0.84</td>
<td>3.08 16 0.79</td>
<td>3.79 16 0.69</td>
<td>3.15 16 1.82</td>
</tr>
<tr>
<td>All Groups</td>
<td><strong>3.71</strong> 89 0.81</td>
<td><strong>3.67</strong> 89 0.83</td>
<td><strong>3.11</strong> 89 0.87</td>
<td><strong>3.51</strong> 89 0.93</td>
<td><strong>2.76</strong> 89 1.51</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results
Table 4.16 Analysis of Variance: Age

<table>
<thead>
<tr>
<th>Attribute</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>1.81</td>
<td>0.1513</td>
</tr>
<tr>
<td>Vision</td>
<td>2.15</td>
<td>0.0997</td>
</tr>
<tr>
<td>Networking</td>
<td>3.00</td>
<td>0.0350</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>3.89</td>
<td>0.0117</td>
</tr>
<tr>
<td>Ethics</td>
<td>3.15</td>
<td>0.0293</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

On all the three attributes, the 21-30 years age group has the lowest mean, while the 41-50 years age group has the highest mean. This indicates the significant differences in the perceptions of the two groups.

4.8.3 Analysis by highest qualification

This section will investigate the significant differences between the entrepreneurs’ perceptions of the impact of leadership attributes to the success of their businesses. The highest educational qualifications demographic will be analysed. The mean scores will be evaluated and the Analysis of Variance (ANOVA) test will be applied.

Table 4.17 Statistical results by highest qualification analysis

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Leadership</th>
<th>Vision</th>
<th>Networking</th>
<th>Risk-Taking</th>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade12</td>
<td>3.67 24 0.92</td>
<td>3.77 24 0.96</td>
<td><strong>2.89</strong> 24 0.84</td>
<td>3.50 24 0.95</td>
<td>2.68 24 1.62</td>
</tr>
<tr>
<td>Tech College</td>
<td>3.42 13 0.96</td>
<td>3.42 13 1.00</td>
<td>3.00 13 0.93</td>
<td><strong>3.19</strong> 13 0.87</td>
<td><strong>2.35</strong> 13 1.23</td>
</tr>
<tr>
<td>Degree/Diploma</td>
<td>3.59 24 0.83</td>
<td>3.57 24 0.80</td>
<td><strong>2.86</strong> 24 0.87</td>
<td>3.21 24 0.92</td>
<td>2.58 24 1.19</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>3.96 19 0.44</td>
<td>3.68 19 0.58</td>
<td>3.38 19 0.77</td>
<td>3.84 19 0.56</td>
<td>3.03 19 1.67</td>
</tr>
<tr>
<td>Business Related</td>
<td>4.04 9 0.66</td>
<td>4.02 9 0.77</td>
<td><strong>3.95</strong> 9 0.49</td>
<td><strong>4.07</strong> 9 1.26</td>
<td><strong>3.46</strong> 9 1.94</td>
</tr>
<tr>
<td>All Grps</td>
<td><strong>3.71</strong> 89 0.81</td>
<td><strong>3.67</strong> 89 0.83</td>
<td><strong>3.11</strong> 89 0.87</td>
<td><strong>3.51</strong> 89 0.93</td>
<td><strong>2.76</strong> 89 1.51</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

The Table 4.17 above indicates a significant difference between the perceptions of entrepreneurs whose highest qualification is a degree or diploma and those who hold a business related qualification with regards to networking. This is indicated by the mean scores of 2.86 and 3.95 respectively. The responses of the entrepreneurs who have a grade 12 only and those who hold a degree or diploma are similar, as indicated by the mean scores of 2.86 and 2.89. This indicates that these two groups
agree that networking has an impact on the success of their businesses, and the ‘business-related’ group strongly agrees.

A significant difference was also noted between the perceptions of entrepreneurs who hold a technical college certificate (mean = 3.19) and those who have a business related certificate (mean = 4.07) with regards to the risk-taking attribute. The significant difference between these two groups was again noted in their responses relating to the ethics variable, indicated by the mean scores of 2.35 and 3.46 respectively.

Table 4.18  Analysis of Variance: Highest qualification

<table>
<thead>
<tr>
<th>Attribute</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>1.46</td>
<td>0.2211</td>
</tr>
<tr>
<td>Vision</td>
<td>0.84</td>
<td>0.5033</td>
</tr>
<tr>
<td>Networking</td>
<td>3.92</td>
<td><strong>0.0057</strong></td>
</tr>
<tr>
<td>Risk-Taking</td>
<td>2.62</td>
<td><strong>0.0405</strong></td>
</tr>
<tr>
<td>Ethics</td>
<td>0.98</td>
<td>0.4215</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

The Table 4.18 above depicts the statistical results by highest qualification which were investigated by using the ANOVA test. The items highlighted in red indicate a statistically significant difference (p<0.05). As indicated in the table, the perceptions of the entrepreneurs with regards to the networking (p = 0.0057) and risk-taking (p = 0.0405) attributes differ significantly. According to the statistical analyst of the Nelson Mandela Metropolitan University, the responses of the entrepreneurs who hold a business related certificate differ significantly from those who hold a grade 12 and those who have a degree or a diploma with regards to the networking attribute. It was further highlighted that the tests were not powerful enough to detect any significant differences among the responses for the ethics attribute.

4.8.4  Analysis by years in business

This section aims to investigate the significance between the number of years demographic and the perceptions of entrepreneurs on the impact of leadership attributes to the success of their businesses. This will be done by analysing and
interpreting the mean scores as well using the Analysis of Variance (ANOVA) test. Table 4.19 illustrates the results thereof.

### Table 4.19  Statistical results by years in business analysis

<table>
<thead>
<tr>
<th>Years</th>
<th>Leadership Means</th>
<th>Vision Means</th>
<th>Networking Means</th>
<th>Risk-Taking Means</th>
<th>Ethics Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-5 yrs</td>
<td>3.81 (0.78)</td>
<td>3.67 (0.70)</td>
<td>2.87 (0.86)</td>
<td>3.39 (0.78)</td>
<td>2.15 (1.18)</td>
</tr>
<tr>
<td>6-9 yrs</td>
<td>3.62 (0.96)</td>
<td>3.54 (0.95)</td>
<td>3.12 (0.92)</td>
<td>3.46 (1.03)</td>
<td>2.98 (1.42)</td>
</tr>
<tr>
<td>10-15 yrs</td>
<td>3.37 (0.76)</td>
<td>3.53 (0.85)</td>
<td>3.24 (0.87)</td>
<td>3.33 (1.12)</td>
<td>2.87 (1.63)</td>
</tr>
<tr>
<td>16+ yrs</td>
<td>3.98 (0.58)</td>
<td>3.99 (0.88)</td>
<td>3.42 (0.79)</td>
<td>3.96 (0.79)</td>
<td>3.54 (1.73)</td>
</tr>
<tr>
<td>All Grps</td>
<td>3.71 (0.81)</td>
<td>3.67 (0.83)</td>
<td>3.11 (0.87)</td>
<td>3.51 (0.93)</td>
<td>2.76 (1.51)</td>
</tr>
</tbody>
</table>

Source:  Author's own construct from analysis of survey results

### Table 4.20  Analysis of Variance: Years in business

<table>
<thead>
<tr>
<th>Attribute</th>
<th>F</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>2.01</td>
<td>0.1186</td>
</tr>
<tr>
<td>Vision</td>
<td>1.15</td>
<td>0.3343</td>
</tr>
<tr>
<td>Networking</td>
<td>1.68</td>
<td>0.1766</td>
</tr>
<tr>
<td>Risk-Taking</td>
<td>1.77</td>
<td>0.1592</td>
</tr>
<tr>
<td>Ethics</td>
<td>3.84</td>
<td><strong>0.0124</strong></td>
</tr>
</tbody>
</table>

Source:  Author’s own construct from analysis of survey results

The Table 4.19 above reveals that there is a significant difference in the responses of the entrepreneurs who have between three and five years business experience (mean = 2.15) and those who have above 16 years experience (mean = 3.54) with regards to the statements relating to ethics attribute.

This is further illustrated in Table 4.20 which shows that the ethics attribute falls below the critical p-value of 0.05. According to the statistical consultant of Nelson Mandela Metropolitan University, the responses of the "3-5 years" group and the "16+ years" group differ significantly (p = 0.0124).

### 4.8.5 Analysis by past business failure

In this section of the questionnaire, the entrepreneurs were asked whether they had ever failed in business.
### Table 4.21  Analysis of Variance: Past business failure

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Mean No</th>
<th>Mean Yes</th>
<th>t-value</th>
<th>Df</th>
<th>P</th>
<th>Valid N No</th>
<th>Valid N Yes</th>
<th>Std. Dev. No</th>
<th>Std. Dev. Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>3.69</td>
<td>3.75</td>
<td>-0.37</td>
<td>87</td>
<td>0.7089</td>
<td>56</td>
<td>33</td>
<td>0.79</td>
<td>0.84</td>
</tr>
<tr>
<td>Vision</td>
<td>3.61</td>
<td>3.78</td>
<td>-0.91</td>
<td>87</td>
<td>0.3673</td>
<td>56</td>
<td>33</td>
<td>0.73</td>
<td>0.99</td>
</tr>
<tr>
<td>Networking</td>
<td>2.96</td>
<td>3.36</td>
<td>-2.13</td>
<td>87</td>
<td><strong>0.0358</strong></td>
<td>56</td>
<td>33</td>
<td>0.84</td>
<td>0.88</td>
</tr>
<tr>
<td>Risk-Taking</td>
<td>3.51</td>
<td>3.49</td>
<td>0.10</td>
<td>87</td>
<td>0.9229</td>
<td>56</td>
<td>33</td>
<td>0.82</td>
<td>1.11</td>
</tr>
<tr>
<td>Ethics</td>
<td>2.63</td>
<td>2.98</td>
<td>-1.07</td>
<td>87</td>
<td>0.2872</td>
<td>56</td>
<td>33</td>
<td>1.39</td>
<td>1.70</td>
</tr>
</tbody>
</table>

Source: Author’s own construct from analysis of survey results

With regards to the networking attribute, Table 4.21 above reveals that there is a significant difference in the perceptions of those entrepreneurs who have never failed and those who have failed in business at some time. This is reflected by the mean score of 2.96 for those who have never failed, and 3.36 for those who have. Furthermore, the p-value is below the significance value of 0.05, as seen on the table, p = 0.0358.

### 4.9 HYPOTHESIS TESTING

As discussed, the objective of this study was to determine the impact of leadership attributes on the success of entrepreneurs.

For the purposes of this study, the ‘success of entrepreneurs’ is measured by the last two demographic variables in Section A of the questionnaire. These are the years in business and whether the entrepreneur has failed in business at some point or not. These are illustrated in Table 4.20 and 4.21 respectively.

#### Acceptance or rejection of hypothesis

To achieve this, selected leadership attributes were used as variables and the following hypotheses were formulated in Chapter One:
4.9.1 The impact of leadership style on the success of entrepreneurs

The alternative hypothesis $H_1$ stipulated that leadership style exerts an impact on the success of entrepreneurs. In this regard, the formulated null hypothesis was:

$$H_{01} = \text{Leadership style exerts no impact on the success of entrepreneurs.}$$

According to the respondents, leadership style does not exert an impact on the success of entrepreneurs. As seen on Table 4.20 and Table 4.21 above, $p > 0.05$. There is insufficient statistical evidence to reject the null hypothesis $H_{01}$, the alternative hypothesis $H_1$ is therefore rejected. This indicates that according to the respondents, an improvement or change in the leadership style that is currently being practiced will not necessarily lead to an increase in the success rate of entrepreneurs.

4.9.2 The impact of vision on the success of entrepreneurs

The hypothesis $H_2$ stipulated that vision exerts an impact on the success of entrepreneurs. In this regard, the formulated null hypothesis was:

$$H_{02} = \text{Vision exerts no impact on the success of entrepreneurs}$$

According to the respondents, vision does not exert an impact on the success of entrepreneurs. As illustrated on Tables 4.20 and 4.21 above, $p > 0.05$. There is insufficient statistical evidence to reject the null hypothesis $H_{02}$, the alternative hypothesis $H_2$ is therefore rejected. This means that, according to the respondents, an improvement in the vision would not necessarily lead to an increase in the success rate of entrepreneurs.

4.9.3 The impact of networking on the success of entrepreneurs

The hypothesis $H_3$ stipulated that networking exerts an impact on the success of entrepreneurs. In this regard, the formulated null hypothesis was:

$$H_{03} = \text{Networking exerts no impact on the success of entrepreneurs}$$
According to Table 4.20 above, \( p > 0.05 \) while Table 4.21 illustrates that \( p < 0.05 \), therefore there is insufficient statistical evidence to support the null hypothesis. This means that the null hypothesis, \( H_03 \), is rejected in favour of the alternative hypothesis, \( H_3 \). According to the respondents, networking has a significant influence on the success of entrepreneurs. This means that an increase in networking will lead to an increase in the success rate of entrepreneurs.

**4.9.4 The impact of risk-taking on the success of entrepreneurs**

The hypothesis \( H_4 \) stipulated that risk-taking exerts an impact on the success of entrepreneurs. In this regard, the formulated null hypothesis was:

\[
H_{04} = \text{Risk-taking exerts no impact on the success of entrepreneurs.}
\]

According to Tables 4.20 and 4.21 above, \( p > 0.05 \), therefore there is insufficient statistical evidence to reject the null hypothesis. This means that the null hypothesis, \( H_{04} \), is not rejected, while the alternative hypothesis \( H_4 \) is rejected. Therefore, according to the respondents, an increase in risk-taking will not necessarily lead to an increase in the success rate of entrepreneurs.

**4.9.5 The impact of ethics on the success of entrepreneurs**

The hypothesis \( H_5 \) stipulated that ethics exerts an impact on the success of entrepreneurs. In this regard, the formulated null hypothesis was:

\[
H_{05} = \text{Ethics exerts no impact on the success of entrepreneurs}
\]

As seen on Table 4.20 above, \( p < 0.05 \), while on Table 4.21, \( p > 0.05 \), therefore there is insufficient statistical evidence to support the null hypothesis. This means that the null hypothesis \( H_{05} \) is rejected in favour of the alternative hypothesis \( H_5 \). According to the respondents, ethics has a significant influence on the success of entrepreneurs. Therefore, an improvement in ethics will lead to an increase in the success rate of entrepreneurs.
The results of the statistical analysis indicated that all the independent variables, leadership style, vision, networking, risk-taking and ethics play a role on the success of entrepreneurs. However, they do not all have a significant influence on increasing the success rate of entrepreneurs. This means that improving networking and ethics will increase the success rate of entrepreneurs in the Eastern Cape. On the contrary, an improvement in leadership style, vision and risk-taking will not necessarily increase the success rate of entrepreneurs, as measured in this study.

4.10 CONCLUSION

This chapter outlined the results of the empirical survey conducted on entrepreneurs who have been in business for a minimum of three years and based in the Eastern Cape Province. Statistical calculations were used to interpret these results and they were presented by using graphs and tables.

The researcher used a pie graph and a table to present the response rate of the research study. In addition, pie graphs were used to present the demographic variables, while a table was used to illustrate the respondent’s reason for starting a business.

The responses of the individual statements that appear on Section B of the questionnaire were also analysed and interpreted. This included the examination and presentation of the overall aggregated scores regarding the leadership attributes. In addition, an analysis and interpretation of the descriptive statistics regarding the respondent perceptions of leadership attributes and the demographic variables was presented.

The results of the hypotheses tests show that while all the leadership attributes measured in this study have an impact on the success of entrepreneurs, only networking and ethics have a significant influence on the success rate of entrepreneurs in the Eastern Cape.
The next chapter, Chapter Five, will present the conclusions and recommendations that arise from this research study, which includes the identified sub-problems, literature review and the results of the empirical survey. Chapter Five will also serve as the final chapter of this research study.
CHAPTER FIVE
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The aim of this chapter, the final chapter of this research study, is to present a summary of the main findings from the results that were presented in Chapter Four while also taking into account the literature review presented in Chapter Two. Conclusions will then be established and outlined in relation to the hypotheses formulated in Chapter One. Based on the findings of this study, the researcher will further present recommendations regarding the impact of leadership attributes on the success of entrepreneurs, both for this study and future research. Moreover, this chapter will discuss the objectives, main problem, sub-problems as well as the challenges and limitations encountered during the study.

5.1.1 Main objective and sub-problems

The main objective of this study was to determine the impact of leadership attributes on the success of entrepreneurs. An increase in the success rate of Eastern Cape based entrepreneurs is envisaged to contribute to the economy of the Province, and thus alleviate poverty.

In order to solve this research problem, this researcher identified the following sub-problems:

- What does the literature reveal about the role of leadership and the critical leadership traits required by entrepreneurs?
- What is the role of SMMEs to the economy, and thus in alleviating poverty?
- What is the current position of entrepreneurs in the Eastern Cape with regards to their leadership traits?
- How do the leadership attributes of entrepreneurs in the Eastern Cape compare with the leadership attributes discussed in the literature study?

The first and second sub-problems were addressed in Chapter Two of this research study, where leadership was defined and the essential leadership attributes for
business success were discussed. The second sub-problem was also addressed in Chapter Two, where the South African SMME sector and its contribution to the economy as well as the critical success factors and challenges of this sector were outlined. Chapter Four addressed the third sub-problem where questionnaires were distributed to a sample of 100 Eastern Cape based entrepreneurs and administered. After presenting the results of the empirical survey in Chapter Four, this chapter will address the fourth sub-problem by discussing the findings. Based on the results and the literature review, the researcher will make recommendations. The main problem will therefore be solved by solving all four sub-problems.

5.2 CHALLENGES AND LIMITATIONS

The questionnaires were only completed by entrepreneurs who are based in the Buffalo City Metropolitan Municipality area of the Eastern Cape and whose businesses have been in operation for a minimum of three years. No other challenges and limitations were encountered during the process of conducting this research.

5.3 RESEARCH FINDINGS

In Chapter Two, Marsh (2012:20) conveyed the high rate of SMME failure due to a lack of leadership skills. Obisi and Anyim (2012:132) added that the growth of a business is dependent on the leader. Therefore, leadership is a prerequisite for entrepreneurial success (Dalglish (2003:abstract)).

As aforementioned, the objective of this study was to determine the impact of leadership attributes on the success of entrepreneurs. To achieve this, selected leadership attributes were used as variables and the applicable hypotheses were formulated in Chapter One.

The leadership attributes were determined in Chapter Two. Leadership style, vision, networking, risk-taking and ethics were the selected variables to determine the impact of leadership attributes on the success of entrepreneurs. In this section, the results that were derived from the descriptive statistical analysis will be evaluated in relation to the literature presented in Chapter Two.
5.3.1 Leadership style

Chapter Two has already distinguished between the two leadership styles of transformational and transactional leadership. Bangari and Prasad (2012:49) describe a transformational leader as one who is more concerned about the well-being and empowerment of his/her employees. They honour their duties to themselves and their employees. Perucci (2009:56) argues that competition among businesses has made it difficult for leaders to maintain the trust and support of their employees.

Ensley et al (2006:59) found transformational leadership more effective for SMMEs due to their ability to respond to crises. On the contrary, transactional leaders avoid risks and tend to micro-manage employees in order to avoid failure (Sadeghi and Pihie, 2012:188).

The section 4.5.1 presented that over 76 percent of the entrepreneurs confirmed that the success of their businesses is dependent on them as well as their employees. Consequently, the entrepreneurs strive to continually empower their employees. In addition, over 76 percent of the entrepreneurs were confident about the support and trust of their employees.

The results in section 4.5.1 are closely associated with the transformational leadership style. This confirmed Ensley et al’s opinion that the transformational leadership style is more ideal for SMME success. The current business environment is volatile and constantly evolving. Communication and trust is imperative among employers and employees, and so is the ability to handle crises.

The mean of 3.71 on Table 4.13 indicates that the majority of the entrepreneurs are in agreement that they apply this leadership style (transformational) due to its positive influence on the employees, and consequently, the business. It is also important to note that the transactional leadership style may be ideal for certain situations. For example, when the business is introducing a new project to unskilled employees. They would then need to have their roles and responsibilities explained and micro-management may be necessary.
The results of the survey reinforced the need to enlighten the entrepreneurs on the importance of education. Also, they suggest a need to educate the entrepreneurs on the value of applying the effective leadership style towards their employees, as opposed to applying the same style for all situations, and in their general business operations.

5.3.2 Vision

In Chapter Two Bruwer (2012:5385) asserts that entrepreneurs are dreamers, they are futuristic and prosper through their ‘what if’ and ‘if when’ scenarios. Prieto (2010:108) contends that entrepreneurial leaders are visionaries. They create visionary scenarios with the intention of uniting, mobilising and committing employees to realise the business’ vision. The vision is strategically built through the establishment of a business, thereby achieving profit and growth (Junior and Gimenez, 2010:42).

Entrepreneurial leadership is further defined by Strubler and Redekop (2010:794) as the ability to develop and articulate a vision. The process of realising the vision requires courage and willingness to make mistakes (Sinha, 2009:44).

The sections 4.5.1 and 4.5.2.3 showed that the entrepreneurs do possess the entrepreneurial leadership skills relating to vision. Over 88 percent have clear visions for their businesses. They can articulate their visions and regularly convey them to their employees.

The findings however reveal that the entrepreneurs are resistant to change, as only approximately 48 percent had gradually changed their visions since inception. In addition, only 52 percent regularly had the courage to pursue their goals. Conversely, Sinha (2009:44) maintains that entrepreneurs are courageous and are willing to make mistakes. They learn from those mistakes and use the experience to visualise a better future, and thus, further develop the business’ vision.

The mean score of 3.67 on Table 4.13 indicates the significance of vision for the success of businesses. The p-values of 0.3343 on Table 4.20 and 0.3673 on Table 4.21 indicate that vision has played a role on the success of the businesses thus far.
(p > 0.05). One can deduce that the entrepreneurs possess the visionary attribute of leadership. This could be the reason that section 4.9.2, suggested that an improvement in this variable would not necessarily increase the success rate of the selected businesses.

5.3.3 Networking

The ever-changing business environment requires that entrepreneurs keep abreast of all developments. Networking is a valuable method of gaining information, meeting prospective clients as well as other important stakeholders. This includes family, friends and mentors (Bagheri and Pihie, 2011:454).

Ncube (2010:80) emphasises that relationship building is a necessity for entrepreneurial leadership. It builds trust and collaboration amongst the leaders who can also assist each other during crises.

The results presented in section 4.5.1 illustrate a weakness in the networking attributes. The p-value of 0.0358 on Table 4.21 (p < 0.05) confirms that even though some entrepreneurs engage in networking activities, there is room for improvement.

In Chapter Two McCline and Bhat (2012:40) associate high networking activity with high business performance. Ibarra and Hunter (2007:40) argue that the low levels of networking activity are due to time constraints. The daily business operations tend to be time-consuming and entrepreneurs do not have time for networking.

Among the forms of networking described by Ibarra and Hunter (2007:41), personal networks such as professional associations, clubs and alumni associations enhance the leader’s personal development. Conversely, as outlined in section 4.5.1, the lowest score was obtained for the statement relating to business associations. Only 34 percent are affiliated to business or professional associations. Only 53 percent confirmed that networking has contributed to the current success of their businesses.

The findings above indicate the low level of networking activities among the entrepreneurs. Hence, as illustrated in section 4.9.3, there is a need to improve on
this attribute. Bagheri and Pihie (2011:45) expound on the need to socialise with the ‘right’ people with significant business influence. Social interaction and other socialisation processes empower entrepreneurs to explore opportunities, cope with crises and enhance entrepreneurial leadership. Due to its significant influence, an improvement in this attribute would increase the success rate of entrepreneurs.

5.3.4 Risk-taking

Entrepreneurial projects carry the risk of possible failure. The entrepreneurs’ chances of success are determined by their level of risk aversion (Fourati and Affes, 2011:223). According to Zheng and Prislin (2012:2), entrepreneurs often work with limited information but their optimism encourages them to weigh the gains more than the losses and make time-sensitive decisions regardless of the uncertainties.

Section 4.5.1 illustrated the entrepreneurs’ risk-aversion level. The majority (74 percent) indicated that they critically evaluate the risks that they take, while 64 percent confirmed that the risks are evaluated according to their potential profit. A moderate positive linear relationship with an r index of 0.507 was presented between the two statements.

Conversely, only 34 percent indicated that they take numerous risks while only 39 percent occasionally explore new and different opportunities. This may lead one to conclude that the entrepreneurs do not gamble, and only the most necessary and well-calculated risks are taken. Duening et al (2012:207) expound that entrepreneurs tend to be mindful of their personal risk-taking propensities when pursuing economic opportunities. Maximum economic returns are then derived within those limits.

Shouming et al (2102:1312) argue that the entrepreneur’s level of education and the need to achieve have a significant influence on their risk-taking behaviour and decision-making process. The Table 4.17 above illustrated the differences in the perceptions of entrepreneurs with regards to risk-taking (p < 0.05). For example, those who hold technical college certificate derived a mean value of 3.19, while a mean value of 4.07 was presented for those who hold a business-related certificate.
The p-value of 3.51 on Table 4.13 indicates that the entrepreneurs agree that risk-taking has a significant influence on business success. In addition, the empirical results on Table 4.20 ($p > 0.05$) and Table 4.21 ($p > 0.05$) demonstrate that the entrepreneurs do take risks to explore economic opportunities, however, they are aware of the risks they should take and only well-calculated risks are taken. It is for that reason that an improvement in this attribute would not necessarily increase the success rate of entrepreneurs.

### 5.3.5 Ethics

Chapter Two alluded to the constant pressure that is faced by entrepreneurs to engage in corrupt, fraudulent and unethical practices. South African SMMEs cited the process of obtaining and maintaining contracts as the most unethical practice, specifically when working with government. It is characterised by dishonesty and briberies. When compared to other developed countries, South Africa has been reported to have the highest rate of corruption (Olawale and Smit, 2010:1781).

Price Waterhouse Coopers (2002:22) defines business ethics as the principles and standards that are promoted by the business for how it will conduct its activities and interact with internal and external stakeholders. Ethics are further described by Painter-Morland and Dobie (2009:10) as the manner in which the business conducts all its activities with employees, customers, community and government.

Business ethics and corporate governance are interwoven. Nwagbara (2012:137) explains that corporate governance concerns the manner, approaches and procedures that direct, control and moderate businesses. Good leadership and positive corporate governance are a result of ethical behaviour and business ethics. The results of the empirical survey presented in section 4.5.2.5 can lead one to deduce that the entrepreneurs are willing to engage in unethical practices. The competitive pressure and a lack of understanding of ethical business practices could also be forcing them to engage in such practices.

The Table 4.20 illustrates the need to improve on the ethics attribute ($p < 0.05$), furthermore significant differences were identified among the age groups of the
businesses with regards to their perceptions relating to ethics. This demonstrates that the most unethical practices take place in the start-up stages of the business. This confirms Painter-Morland and Dobie’s (2009:11) opinion that ethics are more compromised in the start-up stages as the entrepreneurs are only concerned about survival.

Only about 42 percent of the respondents agreed that tender collusions were unethical. The same percentage was derived for those who perceived non-adherence to SARS requirements as unethical, whilst only 36 percent regarded non-adherence to corporate governance as unethical.

The high level of corruption was further highlighted by the fact that the majority of entrepreneurs do not regard it as unethical to obtain a tender through the use of corrupt methods, such as bribery, kickbacks or undisclosed gifts.

In Chapter Two BUSA (2009:11) stressed the need for entrepreneurial leaders to lead by example through engaging only in ethical business practices and consequently communicate the benefits of such behaviour to their employees. Elmore (2013:56) adds that employees should feel free to discuss any challenges or report unethical behaviour or practices to the leader. Ethical leadership is imperative to the sustainability of a business.

The empirical survey results demonstrate the lack of ethics among the entrepreneurs. There is a need for improvement in order to attract more ethical employees, partners and customers, and thus achieving business sustainability and an increase in the success rate of businesses.

Based on the above findings, it can be confirmed that all the variables have an influence on the success entrepreneurs. The sampled entrepreneurs do possess and practise the critical leadership attributes for business success. However, there is a need for significant improvement on the networking and ethics attributes as the entrepreneurs scored rather low on these two. The statistical analysis in Chapter Four displayed that an improvement in networking and ethics would result in an increase in the success rate of the businesses. Therefore, there is insufficient
statistical evidence to reject the null hypotheses $H_{03}$ and $H_{05}$, whilst the null hypotheses are rejected in favour of the alternative hypotheses $H_1$, $H_2$ and $H_4$.

5.4 CONCLUSIONS AND RECOMMENDATIONS

5.4.1 Conclusion

In South Africa, poverty is exacerbated by unemployment. Entrepreneurship is not only about business but is also a social and economic issue. It contributes to the growth of the economy and thereby alleviates poverty. This is the reason for the strong link between leadership and entrepreneurial success. Entrepreneurial leadership is critical for the success of a business. Entrepreneurial leaders are able to start a business and carry it through to the maximum stage of profitability and self-sustainability.

Through the questionnaire, respondents were asked to report on leadership style, vision, networking, risk-taking and ethics as attributes that are directly linked to entrepreneurial leadership. These five key independent variables or attributes of leadership were assessed. The findings of the empirical survey indicate that the sampled entrepreneurs possess these critical leadership attributes and acknowledge their contribution towards the success of their businesses. However, the findings also displayed that there needs to be an increased focus on networking and ethics.

5.4.2 Recommendations

The recommendations for this study are based on the results and findings of the empirical survey and the literature review. The results on the independent variables of leadership style, vision, networking, risk-taking and ethics indicated that the entrepreneurs were uncertain about the relevance of networks to their businesses and whether networks do change as the business progresses. There was also an impression that they focus only on their core business functions with no interest in expanding the business to provide a variety of other goods or services. As a result of these findings, the researcher recommends that entrepreneurs should look into the value of establishing networks and affiliations to business associations clubs for the purposes of marketing and soliciting business and guidance. They should also
formulate strategies that focus on business expansion in order to establish multiple revenue streams for their businesses.

5.4.3 Suggestions for future research

Similar research should be conducted with entrepreneurs in other Provinces in order to investigate whether there are any differences or similarities. The results of that study would assist in establishing best practices for the SMME sector as well as to identify what government and the private sector can do to close the gaps in order to increase the success rate of entrepreneurs. It would also be interesting to conduct an investigation on the impact of business associations to the success of SMMEs.

5.5 CONCLUSION

The ever-changing business environment requires a leader with a diverse set of skills. Leaders should exhibit not only business skills, but also social and employee management skills in order to manage and lead effectively in the modern competitive business environment.

This study has shown that leadership style, vision, networking, risk-taking and ethics are key leadership attributes for entrepreneur success. An improvement, however, on the networking and ethics attributes would go a long way towards improving their success rate. Moreover, the implementation of the suggestions stated in section 5.4.3 would result in a significant improvement in the success rate of entrepreneurs, both in the Eastern Cape Province and country-wide.
REFERENCE LIST


Olivier, C., 2007. *A proposed strategy for the implementation of total productive maintenance at Continental Tyre South Africa*. MBA, Nelson Mandela Metropolitan University.


APPENDIX A: COVER LETTER

Dear Respondent

I am a post-graduate student studying towards my MBA (Masters in Business Administration) at the Nelson Mandela Metropolitan University Business School. The topic of my research project involves an investigation of the factors that impact on the success of entrepreneurs in the Eastern Cape. I believe that this study would make a contribution to establish whether entrepreneurs possess the leadership qualities that lead to the growth and success of businesses. The empirical results of the study will be made available to the participants on request.

You are part of my selected sample of respondents whose views I seek on the abovementioned matter. I would therefore appreciate it if you could answer a few questions in this regard, which should not take more than twenty minutes of your time. Please note that the information gathered will not be used against any person in any way and that all your responses will be strictly confidential.

Please return the completed questionnaire by the 15 August 2013. I thank you in advance for your highly appreciated contribution towards this study.

Yours faithfully

Nomaswazi Mtshibe (073 498 3427)
Research supervisor: Dr A. Weimann (Tel. 082 200 6191)
APPENDIX B1: ORIGINAL QUESTIONNAIRE

**TOPIC:** Determining the impact of leadership on the success of entrepreneurs

**INSTRUCTIONS:** There are no correct or incorrect answers. Please answer the questions as accurately as possible. For each statement, tick the number which best describes your experience. For example, if you strongly agree with the statement, tick the number 5. If you strongly disagree with the statement, tick the number 1.

Select only one answer for each statement, but answer ALL QUESTIONS please.

**SECTION A: DEMOGRAPHIC INFORMATION**

Please supply the following information by marking with an ‘X’ in the appropriate box

1. Gender
   - Male
   - Female

2. Age
   - 21-30
   - 31-40
   - 41-50
   - 51-60
   - 60+

3. Highest Qualification

<table>
<thead>
<tr>
<th>Grade 12</th>
<th>Technical College Qualification</th>
<th>Degree/ Diploma (3 year qualification)</th>
<th>Post Graduate Degree (B.Tech, Honours, Masters)</th>
<th>Business related qualification</th>
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4. Race
   - Asian
   - African
   - Coloured
   - White

5. Years in business
   - 3 – 5
   - 6 – 9
   - 10 - 15
   - 16 - 20
   - 20+

6. What was the major reason for you to start a business? (PLEASE SELECT ONLY ONE ALTERNATIVE FROM THE FOLLOWING)

<table>
<thead>
<tr>
<th>Purely to generate profits</th>
<th>I was unemployed</th>
<th>I wanted to be recognised as a businessman/woman</th>
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<tr>
<td>I recognised an opportunity in the market</td>
<td>I wanted to be self-employed</td>
<td>The government wants us to become entrepreneurs</td>
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<tr>
<td>Other (specify)</td>
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7. Have you ever had a business that failed (to a point where you had to either shut down or start from scratch)?
   - Yes
   - No
SECTION B

Please indicate how strongly you agree or disagree with the following statements by marking ‘X’ on the number that best represents your opinion.

Note
1 Strongly disagree
2 Disagree
3 Neutral/Not sure
4 Agree
5 Strongly agree

B1. Leadership

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<tr>
<td>1</td>
<td>I am able to switch between different leadership styles according to a situation.</td>
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<td>2</td>
<td>The well-being of my employees is more important than profit.</td>
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<td>3</td>
<td>I monitor every move that my employees make in order to ensure that the job is done (micro-management).</td>
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<td>4</td>
<td>I am able to quickly make long-term decisions during a crisis.</td>
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<tr>
<td>5</td>
<td>The success of my business depends on myself as well as my employees, rather than myself only.</td>
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<tr>
<td>6</td>
<td>I am more comfortable with routine than responding to crises.</td>
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<td>7</td>
<td>I can confidently say that my employees support and trust me.</td>
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<tr>
<td>8</td>
<td>I have found leadership training programmes helpful in enabling me to lead effectively.</td>
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<td>9</td>
<td>I am able to differentiate between a manager and a leader.</td>
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B2. Visionary

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<tbody>
<tr>
<td>1</td>
<td>I have a clear long-term vision for my business.</td>
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<td>2</td>
<td>I can clearly articulate my vision for my business in less than 10 words.</td>
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<tr>
<td>3</td>
<td>I regularly communicate my vision with my employees.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td>I am sometimes reluctant to pursue my goals.</td>
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<tr>
<td>5</td>
<td>The vision that I currently have is not exactly the same one that I had when I started the business.</td>
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</table>
### B3. Networking

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<th>3</th>
<th>4</th>
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<tbody>
<tr>
<td>1</td>
<td>I spend a lot of time with other business people.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<td>2</td>
<td>Most of the knowledge that I have about running a business, I have gained through networking.</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>I only consult with my network when I need assistance/advice.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>I am affiliated to business association(s) eg. NAFCOC, BMF, Border Kei Chamber, etc.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>As my business grows, I have also changed my networks.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>I prefer to discuss my business with people in my social circles (e.g. friends rather than with strangers).</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>My business would not be where it is today without my networks of other business people.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Having a mentor contributes significantly towards business growth.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
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### B4. Risk – Taking

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</thead>
<tbody>
<tr>
<td>1</td>
<td>I take time to think carefully before taking a risk (weighing the pro's and con's).</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Generally, I take a lot of risks in my business.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>I regularly explore new and different things, e.g. bidding for a contract in a different industry.</td>
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<td>5</td>
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<td>I evaluate the risks I take according to the profit I will make.</td>
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### B5. Ethics

To what extent do you agree that the following lead to unethical behaviour?

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th>2</th>
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<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Two companies collaborating secretly to the fix price of a tender (colluding).</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Political influence in tender processes and awarding of contracts.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>One entrepreneur pricing two or more documents for the same tender.</td>
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<td>Document pricing done for the entrepreneur by a professional from the awarding firm in exchange for money.</td>
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<td>Using corrupts ways to obtain tenders (bid rigging, e.g. bribery, kickbacks, undisclosed gifts, etc).</td>
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</table>

Thank you very much for your participation.
APPENDIX B2: AMENDED QUESTIONNAIRE

TOPIC: Determining the impact of leadership on the success of entrepreneurs

INSTRUCTIONS: There are no correct or incorrect answers. Please answer the questions as accurately as possible. For each statement, tick the number which best describes your experience. For example, if you strongly agree with the statement, tick the number 5. If you strongly disagree with the statement, tick the number 1.

Select only one answer for each statement, but answer ALL QUESTIONS please.

SECTION A: DEMOGRAPHIC INFORMATION

Please supply the following information by marking with an ‘X’ in the appropriate box

8. Gender

9. Age

10. Highest Qualification

11. Race

12. Years in business

13. What was the major reason for you to start a business? (PLEASE SELECT ONLY ONE ALTERNATIVE FROM THE FOLLOWING)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Purely to generate profits</th>
<th>I was unemployed</th>
<th>I wanted be recognised as a businessman/woman</th>
</tr>
</thead>
<tbody>
<tr>
<td>I recognised an opportunity in the market</td>
<td>I wanted to be self-employed</td>
<td>The government wants us to become entrepreneurs</td>
<td></td>
</tr>
</tbody>
</table>

14. Have you ever had a business that failed (to a point where you had to either shut down or start from scratch)?

Yes  No
SECTION B

Please indicate how strongly you agree or disagree with the following statements by marking ‘X’ on the number that best represents your opinion.

Note
1 Strongly disagree
2 Disagree
3 Neutral/Not sure
4 Agree
5 Strongly agree

B1. Leadership

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I am able to switch between different leadership styles according to a situation (e.g. give honest feedback, acknowledge good performance, have tough conversations, reprimand employees and handle crises).</td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>The well-being of my employees is more important than profit.</td>
<td></td>
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<tr>
<td>3</td>
<td>I monitor every move that my employees make in order to ensure that the job is done (micro-management).</td>
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<tr>
<td>4</td>
<td>I am able to quickly make long-term decisions during a crisis.</td>
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<tr>
<td>5</td>
<td>The success of my business depends on me and my employees, rather than myself only.</td>
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<td></td>
<td></td>
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<tr>
<td>6</td>
<td>I am more comfortable with routine than responding to crises.</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>7</td>
<td>I can confidently say that my employees support and trust me.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>8</td>
<td>Furthering my qualifications is essential for effective leadership.</td>
<td></td>
<td></td>
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<tr>
<td>9</td>
<td>I am able to differentiate between a manager and a leader.</td>
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</table>

B2. Vision

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I have a clear long-term vision for my business.</td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>I can articulate my vision for my business in less than 10 words.</td>
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<td></td>
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<tr>
<td>3</td>
<td>I regularly communicate my vision with my employees.</td>
<td></td>
<td></td>
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<tr>
<td>4</td>
<td>I am sometimes reluctant to pursue my goals.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>5</td>
<td>The vision that I currently have is not exactly the same one that I had when I started the business.</td>
<td></td>
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</table>
### B3. Networking

<p>| | | | | | |</p>
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<tbody>
<tr>
<td>1</td>
<td>I spend a lot of time with other business people.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Most of the knowledge that I have about running a business, I have gained through networking.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>I only consult with my networks when I need assistance/advice.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>I am affiliated to business association(s) eg. NAFCOC, BMF, Border Kei Chamber, etc.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>As my business grows, I have also changed my networks.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>6</td>
<td>I prefer to discuss my business with people in my social circles e.g. friends rather than with strangers.</td>
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<td>7</td>
<td>My business would not be where it is today without my networks of other business people.</td>
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<td>Having a mentor contributes significantly towards business growth.</td>
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### B4. Risk – Taking

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<tr>
<td>1</td>
<td>I take time to think carefully before taking a risk (weighing the pro’s and con’s).</td>
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<tr>
<td>2</td>
<td>Generally, I take a lot of risks in my business.</td>
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<td>2</td>
<td>Non-accurate tax submission to SARS</td>
<td>1</td>
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<td>6</td>
<td>Non-adherence to corporate governance.</td>
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Thank you very much for your participation.