THE SMALL BUSINESS ENTREPRENEUR: A PSYCHOLOGICAL PROFILE

by

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ABSTRACT

With the growing importance being placed on the small business environment as having a positive influence on economic growth and vitality (Erwee, 1987; Burns & Dewhurst, 1989), there has been a corresponding increase in attention being paid to entrepreneurship and the characteristics of the entrepreneur. This increased attention is due to the fact that entrepreneurs have long been linked to small business creation and recognised as an important factor in the small business development process (Boyd & Gumpert, 1983). Despite the quantity of research on entrepreneurship, there appears to be an ongoing controversy over what characterises an entrepreneurial business, and the specific characteristics of the small business entrepreneur. It has been argued that although there is an overlap between entrepreneurial and non-entrepreneurial businesses, they are in fact different entities (Carland, Hoy, Boulton & Carland, 1984; Drucker, 1985), and that not every individual who starts a business is an entrepreneur (Drucker, 1985).

Small business entrepreneurship has been found to be specifically related to the psychological characteristics of the owner-manager who controls the business (Miller, 1983). The purpose of this research was to identify and describe psychological characteristics displayed by a group of South African small business entrepreneurs, thereby compiling a psychological profile of the small business entrepreneur. Given the nature of entrepreneurial activities and processes, Hofer and Bygrave (1992) recommend that accurate, precise, qualitative data that is rich in its descriptive characterisation of the situation and the phenomenon involved be collected. As a result, the researcher used qualitative rather than quantitative methods of investigation.

Innovative behaviour has long been linked to entrepreneurship (Schumpeter, 1934) and entrepreneurial businesses were distinguished from other small businesses by their use of innovative strategic practices. Two sample groups, consisting of entrepreneurial and non-entrepreneurial businesses, were created and the data collected were analysed independently.

The results, based on personal interviews with 32 small business owner-managers and the administration and interpretation of the Structured Objective Rorschach Test (SORT), indicate that small business entrepreneurship should not be used as a term synonymous with small business ownership and/or management. Despite similarities between small business entrepreneurs and other small business owner-managers, the results suggest that a distinction between the two groups is necessary for accurate future research on entrepreneurs. The entrepreneurs differed from other small business owner-managers in terms of their psychological characteristics including their motives, their perception and attitude towards the external environment, and various sociological factors. The entrepreneurial businesses were also different in that they were more innovative and growth oriented than the non-entrepreneurial businesses.

The research contributes towards a clarification of the concept of small business entrepreneurship and indicates a need for more precise sampling techniques to be used in entrepreneurial research.

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CHAPTER 1 INTRODUCTION

With the prediction of a more chaotic and volatile businesss environment in the 1990's (Coetzee & Visagie, 1993) and a growth in unemployment, the need for a more flexible and innovative approach to business has been identified as essential for economic advancement in South Africa. The stimulation of the small business sector has been identified as part of the mechanism through which increased employment (Erwee, 1987; Burns & Dewhurst, 1989), economic growth and development, as well as regional or national prosperity can be attained (Mahadea, 1993). Because of positive perceptions by the government, the private sector, and much of the public at large of the small business sector's potential as part of the solution to the economic problems in South Africa, there has been a rapid increase in the number of private sector organisations, such as the Small Business Development Corporation, the Urban Foundation and other financial institutions, aimed at encouraging small business formation (Erwee, 1987).

Entrepreneurs have long been linked to small business creation and recognised as an important factor in the small business development process. While entrepreneurs have been categorized by Amit, Glosten and Muller (1993) into those who are profit-seeking, either working individually or in a corporate setting, and those who are not profit-seeking, working in charitable, government and other not-for-profit organisations, this research project focuses exclusively on the small business environment in it's investigation of entrepreneurship.

Despite the quantity of research on small business entrepreneurship, there appears to be an ongoing controversy over what characterizes the entrepreneur; and the specific characteristics of the small business entrepreneur. Today's models of entrepreneurship are mainly descriptive, being empirical or phenomenological rather than theoretical (Bygrave, 1989). On examining the methods aimed at developing empirical models for entrepreneurship, there appears to be a lack of preciseness at the very root of the paradigm: the definition of the entrepreneur; and despite the wide research that has been conducted in the entrepreneurship paradigm, researchers cannot agree on basic precepts of entrepreneurship, and the entrepreneurial process. The work of academics in a number of disciplines researching different aspects of entrepreneurship is characterised by a wide variety of approaches. There are several schools of thought regarding entrepreneurship and these may be divided roughly into those that identify the word with an economic function; those that identify it with an individual; those that view entrepreneurship in behavioural terms (Burns & Dewhurst, 1989); and the contingency approach which views entrepreneurship as a function of various contextual variables.

The economic development of the concept of the entrepreneur has provided some important factors used to distinguish between the entrepreneurial function and other related functions (i.e. the management function). Hebert and Link (1982) identify four generic types of theories within the economic literature: those that stress uncertainty as the key environmental characteristic of the entrepreneur; those that highlight innovation; those that regard entrepreneurship as a combination of uncertainty bearing and either innovation and spacial ability; and those that emphasizes perception of, and adjustment to disequilibrium. The common element that links most

of these theories is either uncertainty, innovation or a combination of the two (Van Daalen, 1990b). Economic theorists themselves appear to have accepted that sources of change in the economic system lie outside the actual economic system itself (McClelland, 1961); and although the psychological contributions have often been neglected by mainstream economists, there is a growing awareness of the importance of including a human/societal perspective into the economic process (Sadie, 1987 cited in Van Daalen, 1990b). The question then arises as to whether entrepreneurship involves entrepreneurs: individuals with certain identifiable characteristics.

There are three approaches used by psychologists to identify and describe enduring personality traits of the entrepreneur: the psychodynamic approach (which focuses on the motivation and drives as central components of behaviour); the social development model (which takes consideration of the situation encountered); and the trait approach (which is the most popular approach and aims to identify enduring characteristics of the entrepreneur). A wide range of psychological characteristics have been attributed to entrepreneurs; attributes such as: an achievement orientation, an internal locus of control, a risk taking propensity, and an innovative tendency. Despite the identification of psychological characteristics believed to differentiate entrepreneurs from non-entrepreneurs, these approaches have been widely criticized. Carland and Carland (1984) point out that previous research which investigated these characteristics and attributed them to entrepreneurs were not all empirical and, more importantly, the research samples were by no means homogeneous. The authors of many past studies usually did not provide important information regarding their samples and they usually made broad generalisations in defining an entrepreneur (Gartner, 1989a).

Consequently, researchers such as Stevenson and Gumpert (1985) have rejected the idea of entrepreneurship as an economic function, and the idea that it is possible to identify the personal characteristics of entrepreneurs. Gartner (1989b) has argued that trait approaches have been unfruitful and that behavioural approaches will be a more productive perspective for researching entrepreneurship. It was also expected that the behavioural approach would have practical implications for promoting and training entrepreneurs. The behavioural approach identifies between two different managerial approaches: the trustee (less entrepreneurial) and the promoter (more entrepreneurial) and states that all individuals can be found between these two extremes. Individuals can, according to the behavioural approach, be trained to behave more entrepreneurially, thus increasing the number of effective entrepreneurs within a community or geographic region.

More recently, the contingency approach has assumed that the behaviour associated with the entrepreneurial business, or the entrepreneur, is a function of various contextual variables (Van Daalen, Van Niekerk, Pottas, & Vermeulen, 1990). Some of the research in this area has been conducted by Miller and Friesen (1982), Miller (1983), and Miller and Toulouse (1986). Miller and Friesen (1982) singled out product innovation as the primary measure of entrepreneurial activity and they distinguish between entrepreneurial and conservative firms based on this innovative behaviour. Entrepreneurial firms identify innovation as a natural state of affairs. These firms develop a competitive strategy aimed at making dramatic innovations as a matter of routine and

take concomitant risks. The conservative firm innovates only when challenged. The model predicts that innovation will not take place in conservative firms unless: (a) there are serious challenges, threats, or instabilities in them; (b) there is information about these challenges brought to key decision makers by effective scanning and control systems and; (c) structural, technocratic, and financial resources are adequate for innovation (Miller & Friesen, 1982).

Miller (1983) focused more on the behaviour of entrepreneurs, yet at the same time distinguished between the organisational contexts in which they were operating. Miller (1983) identifies entrepreneurship as being a characteristic of the firm, rather than any independent actor. Miller (1983) argues that with the growth and complexification of organisations, there is continually a need for organisational renewal, innovation, constructive risk-taking, and the conceptualisation and pursuit of new opportunities, a pursuit that often goes beyond the efforts of one key manager. Miller (1983) further argues that the correlates of entrepreneurship vary in a systematic and logical way from one type of firm to another. Accordingly, Miller (1983) distinguishes between three different types of firms: simple firms, planning firms and organic firms. This research focuses on businesses that have a simple firm structure.

Carland et al. (1984) argues for a fundamental distinction between entrepreneurs and small business owners. Yet a great deal of research fails to distinguish between an entrepreneurial venture and a new business venture, making entrepreneurship synonymous with the individual who creates and operates a new enterprise (Ahmed, 1985; Begley & Boyd, 1987a; Cooper & Dunkelberg, 1987; Hisrich & Brush, 1986; Low & MacMillan, 1988). With the growing need to differentiate between entrepreneurial and non-entrepreneurial businesses, there has been a concerted effort to achieve this distinction and it is the activities and strategic behaviours of the businesses (and business owners) that have been used to determine whether the business is entrepreneurial or not.

In determining a structure from which to research the small business entrepreneur, Bygrave (1989) proposes that rather than reducing problems to neat constituents (i.e. reductionist techniques such as physics), we should look at the whole (i.e. case studies) to better understand the entrepreneurial process. The heart of the entrepreneurial process argues Bygrave (1989), will be found in the descriptive background of the event, requiring exploratory or grounded research into all aspects of the process. As Bygrave (1989) argues, it is important that the entrepreneurial paradigm focus on its needs as an infant paradigm that will allow it to develop: needs such as detailed descriptive or phenomenological studies.

Psychological research of small businesses or, in Miller's (1983) terms, simple firms, will therefore benefit most by focusing on individuals, their psychological characteristics and behaviours. Shaver & Scott (1991), using a psychological approach, emphasize the focus on the individual but still acknowledge the importance of the influence of the environment.

With regard to Bygrave's (1989) recommendations, this research project aimed, through the use of qualitative and quantitative approaches, to differentiate between entrepreneurs and other small business owners. In doing this it aimed to identify and describe the psychological characteristics of a group of South African small business entrepreneurs. There were two goals that the research attempted to achieve.

The first goal of the research was to identify and describe psychological characteristics displayed by a group of South African small business entrepreneurs, thereby compiling a psychological profile of the small business entrepreneur. This involved investigating various individual psychological characteristics presumed to be linked to the process of entrepreneurship in the small business environment.

The second goal of the research was to explore various contentions concerning the personality and other psychological characteristics of small business entrepreneurs. This included investigating motives, personal attributes (including the entrepreneurs self-perception), and personal and environmental factors perceived to be important for entrepreneurship.

It is anticipated that the research will contribute to clarifying the psychological characteristics of small business entrepreneurs. Research that contributes to the identification and description of psychological factors affecting entrepreneurship can yield important information to be used in the promotion and development of entrepreneurship in South Africa.

CHAPTER 2 LITERATURE REVIEW

2.1 Understanding entrepreneurship

There has been a striking increase in the level of attention paid to the subject of entrepreneurship. This increase in interest seems to have stemmed from some major economic and social changes in the economy as analysts have discovered that small firms contribute mightily to economic growth and vitality (Burns & Dewhurst, 1989). Moreover, many have chosen entrepreneurial careers because doing so offers greater economic and psychological rewards than does the large company route (Boyd & Gumpert, 1983; Lee-Gosselin & Grisé, 1990).

Entrepreneurship is one of the youngest paradigms in the management sciences, and because of this, research is still in its early stages compared to almost all the physical, and most of, the social sciences. Bygrave and Hofer (1991) argue that due primarily to impressive advances in its body of empirical knowledge over the last ten years, entrepreneurship could claim to be a legitimate field of academic inquiry in all respects except one: it lacks a substantial theoretical foundation. In contrast with other disciplines (e.g. physics), entrepreneurship has no great theories and where other disciplines have robust models with constant parameters, models of entrepreneurship are fragile and parameters are always changing (Bygrave, 1989).

As with all paradigms, the entrepreneurial paradigm has emerged through research utilizing methods and theories of other sciences, theories and methods which may or may not be appropriate to the specific discipline. Bygrave (1989, p. 7) furnishes two reasons to support the argument that these borrowed methods and theories may sometimes be unsuitable to furthering our understanding of entrepreneurship:

- entrepreneurship begins with a disjointed, discontinuous, non-linear (and usually unique) event that cannot be studied successfully with methods developed for measuring smooth, continuous, linear (and often repeatable) processes.

- As a science, entrepreneurship is in its infancy. Hence if we "force" sophisticated methods from advanced fields such as economics onto entrepreneurship, we may be investigating "contrived" problems because they can be analyzed with complicated mathematical technology.

Today's models of entrepreneurship are mainly descriptive, being empirical or phenomenological rather than theoretical (Bygrave, 1989). On examining the methods aimed at developing empirical models for entrepreneurship, we find a lack of preciseness at the very root of the paradigm: the definition of the entrepreneur. If researchers are unable to agree on a definition of an entrepreneur, it is extremely unlikely that they will have or be able to develop variables with precise definitions, instruments with clear specifications, and populations with exact demarcations (Bygrave, 1989).

Recent reviews of research on entrepreneurship have indicated a lack of agreement on defining entrepreneurship and, more basically, a concern over what entrepreneurship constitutes as a field of study (Brockhaus, 1987; Low & MacMillan, 1988; Ronstadt, Hornaday, Peterson & Vesper, 1986). There is a concern that entrepreneurship has become a label of convenience with little inherent meaning (Gartner, 1990), a term that may have outlived its usefulness.

Bygrave and Hofer (1991) stated that good science has to begin with good definitions, while Sexton (1987) noted that so many definitions are being used to define samples of business owners/entrepreneurs that a definition of the sample tested is more important than a definition of small business entrepreneurship per se. Textbook writers usually deal with entrepreneurship by listing a catalogue of different ways in which it can be used; but a lack of agreement on what activities can be regarded as "entrepreneurial" ensnares most empirical or theoretical research efforts (Hornaday, 1992).

Gartner (1990) attempted to organize the confusion with an elaborate Delphi study. He identified 90 entrepreneurial attributes and described (through clustering) eight entrepreneurial themes. These eight themes are:

- **The entrepreneur:** The entrepreneur theme is concerned with whether entrepreneurship involves individuals with unique personality characteristics and abilities. Most of the attributes that are used to describe the entrepreneur (e.g. risk taking, an internal locus of control, autonomy, perseverance, commitment, vision, creativity) correlate with this theme.

- **Innovation:** This theme is characterised as doing something new with an idea, product, service, market, or technology in a new or established organisation. The theme suggests that innovation is not limited to new ventures, but recognized as something which older and/or larger organizations may undertake as well.

- **Organisational creation:** This theme describes the behaviours involved in creating organisations. This involves acquiring and integrating resource attributes.

- **Creating value:** This theme articulates the idea that entrepreneurship creates value. The attributes in this theme indicate that value creation might be represented by transforming a business, creating a new business, growing a business, creating wealth, or destroying the status quo.

- **Profit or nonprofit:** The profit/nonprofit theme is concerned with whether entrepreneurship involves profit-making organisations only.

- **Growth:** At issue in this theme is the importance of growth as a characteristic of entrepreneurship. Most of the attributes in this factor describe growth, although two of the attributes describe profit as well.

- **Uniqueness:** This theme suggests that entrepreneurship involves uniqueness. Uniqueness is characterised by attributes such as a special way of thinking, a vision of accomplishment, the ability to see situations in terms of unmet needs, and creating a unique combination.

- **The owner-manager:** The attributes correlated with this theme point out that the management and ownership of an ongoing smaller organisation are often tied to entrepreneurship (Gartner 1990, p. 21-26).

Although these eight themes describe many diverse types of activities and states of existence, they seem to reflect different parts of the same phenomenon. Gartner (1990) concludes his paper by stating that his data demonstrated that there is little agreement on a definition of entrepreneurship. Consequently, not only the supply of entrepreneurs but also the supply of operational concepts of entrepreneurship are absent where they are needed most. If theory in the area of entrepreneurship is to develop, researchers will have to find commonalities in order for comparisons to be made across studies.

In order to arrive at an acceptable definition of entrepreneurship and the entrepreneur, Low and MacMillam (1988) identified entrepreneurship as the creation of new enterprise. Bygrave and Hofer (1991, p. 14) provide a more detailed description by defining the entrepreneurial process as "involving all the functions, activities, and actions associated with the perceiving of opportunities and the creation of organisations to pursue them". Bygrave and Hofer (1991, p. 14) similarly, define an entrepreneur as "someone who perceives an opportunity and creates an organisation to pursue it". These are extremely broad definitions and they identify any act of new-venture-creation as an entrepreneurial process.

Using this or any other similar definition means that any small business owner-managers may be selected as sample respondents in research on entrepreneurs (Hornaday & Aboud, 1971; Van Daalen et al., 1990); and the assumption underlying these selections is that the entrepreneur (small business owner) was the individual who brought the resources together and initiated the business. It is however clear that not all people who start and own a business are necessarily entrepreneurs and the businesses they create are not necessarily entrepreneurial firms (Carland et al., 1984; Drucker, 1985).

In a business setting it appears that the process of endowing resources with new wealth-producing capacity (viewed as the act of innovation by Drucker, 1985) is central to any conceptualisation of entrepreneurship (Amit, Glosten & Muller, 1993). Entrepreneurship was defined by Amit, Glosten and Muller (1993, p. 816) as "the process of extracting profits from new, unique, and valuable combinations of resources in an uncertain and ambiguous environment". This definition undertakes to differentiate between the small business owner and the entrepreneur by identifying the entrepreneurs innovative function that is performed within an uncertain and/or ambiguous environment.

Because of the ambiguity surrounding entrepreneurship and definitions of the entrepreneur, for the purposes of this research project the following definitions are used:

> "Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction" (Hisrich & Peters, 1989, p. 6).

> "An entrepreneur is an innovative person who creates something different with value (added) by devoting time and effort, assuming the ... financial, psychological and social risks ... in an action-oriented perspective ... and receiving the resulting rewards (and punishments) of monetary and personal satisfaction" (Solomon, 1985, cited in Solomon & Winslow, 1988, p.164).

When reviewing the literature, it is important to note that due to limitations of the paradigm of entrepreneurship, attempts to compare results from a variety of research undertaking is extremely difficult and one should proceed with caution. The failure to provide a definition of the entrepreneur or to adequately document sample characteristics severely limits the comparability of the data. Despite this, there have been a number of important contributions towards the literature on entrepreneurship from a variety of different disciplines using a wide range of research techniques.

The work of academics in different disciplines, researching different aspects of entrepreneurship is characterised by a wide variety of approaches, a comprehensive survey of which would not only be presumptuous but would also be impossible in the present context. It is also extremely difficult to classify these different approaches, for a number of them are essentially interdisciplinary. There are several schools of thought regarding entrepreneurship and these may be divided roughly (rather than classified distinctly) into those that identify the word with an economic function; those that identify it with an individual; those that view entrepreneurship in behavioural terms (Burns & Dewhurst, 1989); and the contingency approach which views entrepreneurship as a function of various contextual variables.

In the light of the above limitations, Moore's (1986) process model was used as a framework for describing the entrepreneurial process. A summary of Moore's (1986) model will be given together with a discussion of the factors that influence this process: the small business environment in South Africa, the organisational factors, sociological factors, and personal characteristics. The effects of entrepreneurship, both positive and negative on the individual small business entrepreneur, will then be discussed in Section 2.7.

Finally four different approaches used to investigate entrepreneurship or the entrepreneur are reviewed: the contributions towards a functional understanding of entrepreneurship from an economic perspective (Section 2.8); the identification of entrepreneurs by personality characteristics (Section 2.9); the behavioural approach to understanding entrepreneurship (Section 2.10); and the contingency approach (Section 2.11). Section 2.12

integrates various contributions towards entrepreneurship theory. What will evolve from Section 2.12 is a psychological perspective (Section 2.13) on which the present research study has been based.

2.2 The entrepreneurial process

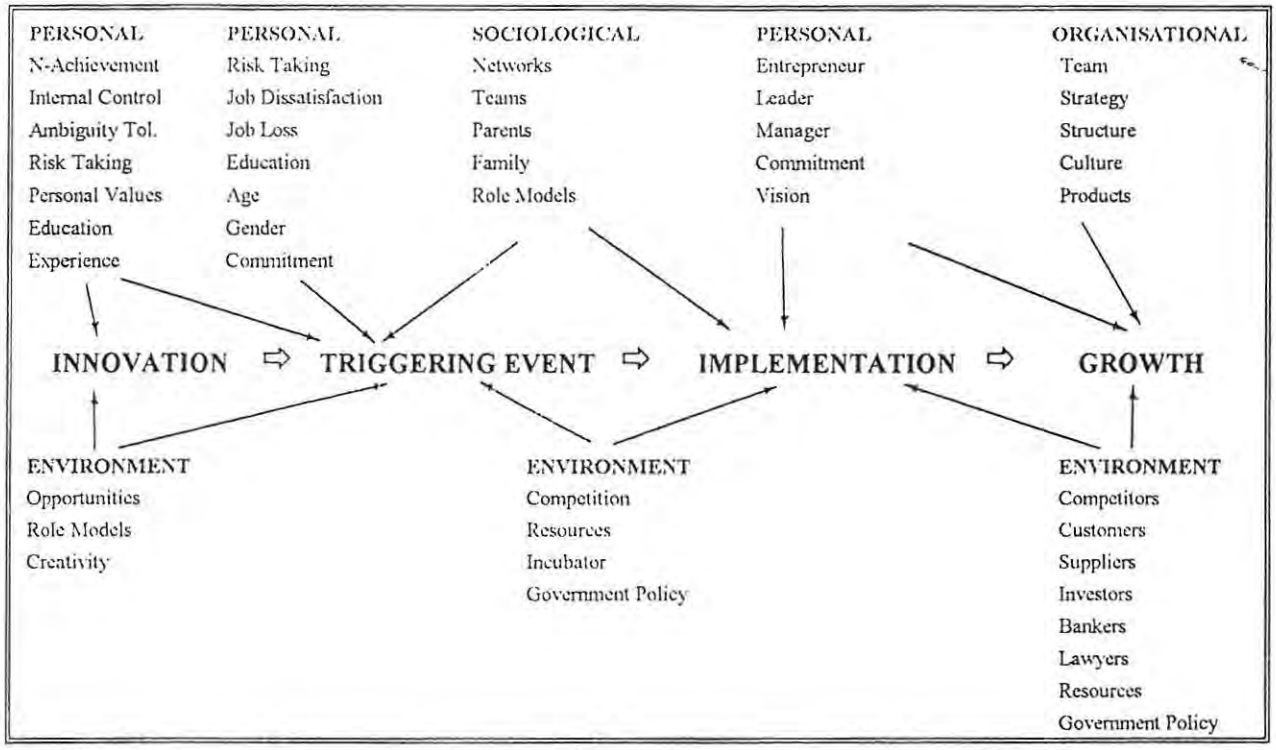
Entrepreneurship is a complex and multidimensional phenomenon. Much of the past research on entrepreneurship has been unidimensional, focusing on a single aspect of the entrepreneur or entrepreneurship, and its main purpose has been to show how entrepreneurs or their firms differ from non-entrepreneurs or non-entrepreneurial firms. If it is accepted that there are many different types of entrepreneurs and many different ways to be one, and the firms that are created vary extensively as do the environments they operate in (Gartner, 1985), then the focus must shift to research that considers a combination of variables that make up each new entrepreneurial venture. Similarly, Bygrave and Hofer (1991) argue that it may be useful to shift one's focus away from the characteristics and functions of the entrepreneur, to the nature and characteristics of the entrepreneurial process.

There is an underlying process in entrepreneurship that starts with the identification of an opportunity and ends with the harvesting of the fruits of one's labour (Burns & Dewhurst, 1989). Bygrave and Hofer (1991) identify the entrepreneurial process as involving all the functions, activities, and actions associated with the perceiving of opportunities and the creation of organisations to pursue them. There is no one model of the stages of entrepreneurial business development and the number of stages that the business may be said to pass through during the course of its life cycle is highly variable.

While Churchill (1983) differentiates between a stage model for business development and a stage model for entrepreneurship, Flamholtz (1986) identified stage one (new venture) and two (expansion) of a four stage model of organisational growth as comprising the entrepreneurial phases of a company's development (cited in Chell et al., 1991, p. 62). Beyond that, it is argued, the company must make the transition to a professionally-managed business (Chell et al., 1991). Flamholtz (1986) makes a sharp distinction between the entrepreneurial business, which is characterised by informality, a lack of systems and a free-spirited nature, and the professionally-managed business which is more formal, with well established management systems. In order to investigate this process, we start with Moore's (1986) model of the entrepreneurial process (Figure 1). Moore's process model (more precisely a framework) encompasses the main research themes that entrepreneurship scholars have worked on for the last thirty years or so (Bygrave, 1989).

There is almost unanimous agreement that the phenomena in this model (Figure 1) are an integral part of the entrepreneurship paradigm (Bygrave, 1989). There are however exceptions, such as Gartner (1988) who argues that the process of entrepreneurship ends when the creation stage of the organisation is over and therefore does not include the growth stage; or Tropman and Morningstar (1989) who argue that there are at least two other stages that need to be addressed. These stages are stabilization (stage five) and renewal (stage six).

Figure 1. Moore's (1986) model of the entrepreneurial process with embellishments.



(Moore, 1986 cited in Bygrave, 1989, p. 9).

2.2.1 Stages of the entrepreneurial process

The stages of the entrepreneurial process are not rigid or predetermined and the time period of each stage is highly variable. Whether entrepreneurs create an innovative business enterprise from scratch, or whether they purchase an existing business, they will both follow the same process in implementing innovative business practices. The four stages depicted in Moore's (1986) model will be discussed along with Tropman and Morningstar's (1989) stages: stabilization and renewal.

Innovative stage

This stage consists of a systematic search for business opportunities and generation of product-service ideas. The education and experience of entrepreneurs may assist in their ability to perceive and identify profitable business opportunities, and this has been found to be an especially important factor for technical entrepreneurs. Such ideas are then evaluated to determine whether they represent viable business opportunities (Elkan, 1988). If they are not perceived as viable, they may be scrapped or modified for further evaluation. This is one of the most difficult parts of the entrepreneurial process as the entrepreneur has to make assumptions about the product or service, and it is therefore essential that these assumptions are made on current, relevant, and complete information (Burch, 1986).

Being innovative requires more than the generation of viable business opportunities, it requires that the entrepreneur be able to put those ideas into practice. This involves the creation of a business plan, again with important assumptions being made about the product-service idea. Although this innovative stage may be described as systematic and structured, this is seldom the case in a small business environment. Ideas may be generated on an ad hoc basis, and crude business plans developed. The assumptions made concerning the product-service are, however, still the same and the consequence of inaccurate assumptions is failure. Innovation has been identified as an important tool for the entrepreneur and as a practical method used to differentiate between the entrepreneur and others, such as managers and other small business owners (Carland et al., 1984).

The triggering event

At some point in time, once the opportunity has been identified and evaluated, the entrepreneur may decide that the opportunity identified is firstly a viable and potentially rewarding opportunity, and secondly that organisational creation is a desirable alternative to his or her present position. This motivation drives the entrepreneur to implement his or her innovative ideas into more concrete actions. The entrepreneur displays a willingness to act on what has been perceived (Elkan, 1988) and so there is a linking of the innovation and implementation stages.

Implementation

With the implementation stage, which involves turning the product or service into a reality, the necessary organisation skills are essential (Elkan, 1988) to successful business formation. This involves mastering a number of the mechanics of management and so starting the business is often identified more as a managerial process than an entrepreneurial process. This is true to a certain degree, as it is clear that the entrepreneur must perform a range of managerial functions in order to create and develop the organisation. There are however strategic decisions that must be taken, and it is the strategic behaviour of entrepreneurs that is often used to differentiate them from managers or managerial behaviour. At this point in the process the full potential of the products or services are not exploited but are latent or underdeveloped.

Growth stage

In the growth stage the full potential of the products or services are recognised and taken advantage of. This stage is characterised by new demands and high pressure. There is often a crisis management ambiance in such a situation (Tropman & Morningstar, 1989). The entrepreneur in this stage is under considerable pressure and the growth stage is an area where businesses often fail.

Stabilization

In this stage, the entrepreneur brings regularity and routine to the business. The growth rate has stabilized and the focus is on continuity and stabilization. The business may become more formal, and the transition to a professionally managed business is the norm for successful entrepreneurs. The transition from the start-up

stages to a more mature stage is often accompanied by a decreasing ability and willingness to identify and pursue opportunities (Burns & Dewhurst, 1989). It is an attempt to protect what has have created and so this precludes the pursuit of new opportunities. Many entrepreneurs, because of their character, do not perform well in this type of situation and are more comfortable and effective in the initial stages of the idea generation and business formation. It is at this point that some entrepreneurs may leave the organisation to pursue other opportunities.

Renewal

Firms which have remained entrepreneurial even after they have achieved success, have, according to Burns and Dewhurst (1989) three characteristics: opportunities are broadly perceived; individuals within the organisation desire to pursue them; and the individuals believe that it is possible to succeed in the pursuit of these opportunities. Innovation and entrepreneurship are the keys to renewal and they are encouraged in businesses that remain entrepreneurial.

2.2.2 Characteristics of the entrepreneurial process

Bygrave and Hofer (1991, p. 17) have identified some important characteristics of the entrepreneurial process:

- it is initiated by an act of human volition;
- it occurs at the level of the individual firm;
- it involves a change of stage;
- it involves a discontinuity;
- it is a holistic process;
- it is a dynamic process;
- it is unique;
- it involves numerous antecedent variables; and
- it generates outcomes that are extremely sensitive to the initial conditions of those variables.

The essence of entrepreneurship is, according to Bygrave and Hofer (1991) the entrepreneur, making it essential that human volition be taken into consideration. The act of becoming an entrepreneur involves changing the external environment from one state (that without a business) to another state (that with a business). In addition, it is a holistic and dynamic process as it evolves over time. It is also unique and highly sensitive to a number of antecedent variables (i.e. individual, sociological, organisational and environmental factors). It is therefore necessary to consider a combination of variables that make up the entrepreneurial process. The entrepreneurial process is a multidimensional phenomenon in which each variable describes only a single dimension of the phenomenon and cannot be taken alone (Gartner, 1985). Bygrave (1989) states that rather than reducing problems to neat constituents (i.e. reductionistic techniques such as physics), we should look at the whole (i.e. case studies) to better understand the process of entrepreneurship.

The heart of the entrepreneurial process will therefore be found in the descriptive background of the event, requiring exploratory or grounded research into all aspects of the process (Bygrave, 1989). Bygrave and Hofer (1991) conclude by stating that any theory of entrepreneurship must be routed in the social sciences, because these sciences describe the key variables that underlie the process of venture creation.

2.2.3 Factors affecting the entrepreneurial process

It is necessary to take into account the factors that affect this entrepreneurial process described by Moore (1986). These factors are vital to an understanding of entrepreneurship. Accordingly four factors will now be examined: the external environment, sociological factors, characteristics of the individual, and characteristics of the small businesses created.

2.3 The external environment

This environment, or context, is the macrocircle within which the small business exists and operates. Tropman and Morningstar (1989) identify two major environmental sectors that require attention: (1) superordinate culture and, (2) superordinate structure. The superordinate culture focuses upon the prevailing values and attitudes (the belief system of a particular community or nation). Superordinate structures refer to the large-scale societal conditions in which ventures operate. The entrepreneurial attention to them allows for repositioning and redevelopment of strategies. The ten macrochanges John Naisbitt (1983) identified in his book as megatrends are some of the societal conditions that the entrepreneur must be attentive to. It is not likely that the individual or the small business can influence the context to any great extent, but more likely that they will have to operate within this context by adapting themselves or their businesses and by focusing on a particular niche identified within the environment.

At present, the South African environment is characterised by a great deal of turbulence. This turbulence is not limited to the political arena, but encompasses economic, technological and socio-demographic areas (Maas, 1993). Coetzee and Visagie (1993) anticipate an even more volatile and chaotic business environment in the 1990's, requiring a more flexible business approach in order to adapt and compete more effectively. In addition to this turbulence, a rapid growth in the economically active population in South Africa (currently swelling by 200 000 to 300 000 people a year), and the inability of the formal economy to provide jobs for the ever-growing labour force, have contributed to economic problems currently faced in the country. In February 1993 the South African Institute of Race Relations stated that only 85 out of every 1000 people entering the job market found employment in the formal economy, while in June 1993 Mr Neville Edwards, the general manager of Ned Enterprises said that only 1% of graduates, matriculants and other school leavers in 1993 would find employment in the formal sector of the economy (Race Relations Survey, 1994, p. 469).

Until recently, the industrial landscape was increasingly dominated by fewer and larger corporations (Munchken Management, 1989): a landscape that ignored or even ridiculed small business as a backward remnant of an earlier stage of economic development that has been overtaken by the superior technological and

productive competence of the large corporations backed by an interventionist state (Vosloo, 1989). This view has changed and the stimulation of the small business sector is now seen as part of the mechanism through which increased employment (Burns & Dewhurst, 1989; Erwee, 1987), economic growth and development, as well as regional or national prosperity can be attained (Mahadea, 1993). The development of small business formation is regarded as the embodiment of economic freedom and individual liberty, and as a practical way of solving problems and enhancing economic growth (Vosloo, 1989).

Since the acceptance of the small business sector's potential as part of the solution to the economic problems in South Africa, there has been a rapid increase in the number of private sector organisations, such as the Small Business Development Corporation, the Urban Foundation and other financial institutions, aimed at encouraging small business formation (Erwee, 1987). El-Namaki (1990) however warns that many of the commonly accepted assumptions behind a vast number of national small business support policies, which have been accepted as sacred and time proven, are in fact not accurate at all; and that treating small business development as the solution alone is limited. Small business development has its limitations and much of its success depends on what is happening elsewhere in the economy and in society at large. Small business for all its potential, does not create the environment in which it must operate but, like everyone, is born into an environment that it does not choose.

There is an assumption that the entrepreneur contributes disproportionately to the economy of a nation (Carland et al., 1984; Clark, Davis & Harnish, 1984; Schmitz, 1989) and in fact the shortage of entrepreneurial skills in less developed countries is often cited as the reason for economic backwardness (Hart, 1972). Bryce remarks that :

> "The most vital force, entrepreneurship - the combination of initiative, drive and organisational talent - is the weakest link in the chain in most underdeveloped countries and perhaps the hardest to do anything about quickly." (Bryce, 1965 cited in Hart, 1972, p. 17)

Researchers (Baumol, 1990; Elkan, 1988; Meier & Seers, 1984) have argued that the contention is invalid that entrepreneurial skills and attitudes are lacking in less developed countries. Meiers and Seers (1984) argue that entrepreneurs are often present but take forms which accord with people's attributes and inclinations and with local conditions and opportunities. Similarly, Baumol (1990, p. 894) hypothesizes that "entrepreneurs are always with us and always play some substantial role, but there are a variety of roles among which the entrepreneur's efforts can be reallocated, and some of these roles do not follow the constructive and innovative script that is conventionally attributed to that person." There may even be times where the entrepreneur may lead a parasitical existence that is actually damaging to the economy, and therefore, how the entrepreneur acts at a given time and place depends heavily on the rules of the game (the reward structure in the economy) that happens to prevail (Baumol, 1990).

The reward structure in the economy that specifies the relative payoffs to different entrepreneurial activities plays a key role in determining whether entrepreneurship will be allocated in productive (i.e. innovation) or unproductive (i.e. organised crime) directions and this can significantly influence the country's economic growth (Baumol. 1990, p. 918). Harper (1991) stated that there are entrepreneurs in every community, and they will start and run businesses in their own and society's interests if they are allowed (and encouraged) to do so. Stimulating entrepreneurial initiative is therefore a strategic process that embodies calculated strategic choices. There are strategies open to the entrepreneur in terms of industry choice, and individual and resource-task fit; and there are strategies open to the regulators and support agencies in terms of use of industrial policy, and explicit stimulation of industrial sectors or branches (El-Namaki, 1988).

Assistance is needed in order to remove external barriers which act as impediments to entrepreneurs in the sense that business opportunities which have been identified, cannot be exploited (Snyman, 1991). Examples of such barriers include political and regulatory aspects, a weak infrastructure, and a shortage of capital. Assistance is also required to overcome internal barriers, in terms of the entrepreneurs' ability to manage a business successfully. Although government and private sector stimulation have an effect on the potential of small business in the country, the success of a business rests primarily on the initiative of the individual to create a viable business. The existence of a favorable environment will not by itself ensure entrepreneurial activity (Burch, 1986). The individual, rather than vague and impersonal market forces, plays an important role in the competitive success of individual businesses or economies, as well as the shaping of these economic processes (Cannon, 1991). Today there continues to be an implicit assumption that this individual, the 'entrepreneur', contributes disproportionately to the economy of a nation, yet little has been done to isolate this individual for further analysis (Carland et al., 1984).

Cooper and Dunkelberg (1987) suggest that individuals usually start new businesses where they are already living and working, a finding which raises the question of implications for regional economic development. If individuals do not move at the time of founding, regional small business development will largely dependent on the pool of people already living in an area. Regional small business development has been found to be substantially dependent upon the pool of potential entrepreneurs already employed in regional incubator organisations (Cooper & Dunkelberg, 1987). Cooper (1970), Susbauer (1972) and Watkins (1973) found that the percentage of new companies started which involved at least one founder who was already working in the area was 98 percent in Palo Alto, 90 percent in Austin, and 90 percent in England (cited in Cooper & Dunkelberg, 1987). Exceptions may involve those founders who leave professional school to set up practice (such as a dentist) and those who are primarily oriented towards serving a local market (such as a retailer who learns a trade in a local business and then searches for another city which seems to need the same kind of store).

2.4 Sociological factors

These refer to the social environment in which the entrepreneur operates. They include the influences of role models (family, friends and business associates), the extent of the entrepreneurs social network and the characteristics of that network.

2.4.1 Role models

Shapero (1975) proposes the idea that climates can change over time and that past entrepreneurship makes future entrepreneurship more likely. Several entrepreneurs have informally mentioned that one of the most important factors influencing them in their career choice were role models (Hisrich, 1990). The credibility of the act of starting a company appears to depend, in part, upon whether the founder knows of others who have taken this step (Bygrave, 1994; Shapero, 1975). Role models can be parents, brothers or sisters, other relatives, successful entrepreneurs in the surrounding community, or nationally touted entrepreneurs. Frequently successful entrepreneurs provide a catalyst for potential entrepreneurs who encourage them to launch a venture. A body of research suggests that entrepreneurs are more likely to come from families in which a parent owned a business (Cooper & Dunkelberg, 1987; Roberts & Wainer, 1971). Business ownership thus becomes a career with which the potential entrepreneur can identify (Cooper & Dunkelberg, 1987). It does not even seem to make much difference whether the relative was successful; the act of owning a business creates a credible example (Susbauer, 1972 cited in Cooper & Dunkelberg, 1987).

Role models can also serve in a supportive capacity as mentors during and after the launch of the new venture (Hisrich, 1990). An entrepreneur needs a strong support and advisory system in every phase of the new venture. This support system is perhaps most crucial during the start up stage in providing information, advice, and guidance on such matters as organisational structure, needed financial resources, marketing, and market segments. Because entrepreneurship is a social role embedded in a social context, it is important for an entrepreneur to establish connections early on with these support resources.

2.4.2 Social and professional networks

As initial business contacts and connections expand, the entrepreneurs form social networks. The strength of the tie between the entrepreneur and any individual in the network is, of course, dependent on the frequency, level, and reciprocity of the relationship. The more frequent, the more in-depth, and the more mutually beneficial a relationship is, the stronger and more durable is the network between the entrepreneur and individuals within that network (Aldrich, Rosen & Woodward, 1987). Theorists measure networks in terms of density, reachability and centrality. Density is defined as the extensiveness of ties between people, measured by comparing the total number of ties to the potential number that would occur if everyone in the network were connected to everyone else. Reachability measures the scope of the network by counting how many intermediaries are contacted to link the entrepreneur indirectly to someone else. Centrality is a measure of how centrally positioned the individual is within the network (Aldrich & Zimmer, 1986 cited in Amit et al., 1993).

Networks are made of strong ties (close friends and family) and weak ties (acquaintances). A network of weak ties constitutes a low density network with greater reachability in which the entrepreneur has informal ties to a large number of people. In contrast, a network of strong ties is small but dense. Successful entrepreneurs were found to have large networks of casual acquaintance who could provide timely and accurate information, provide access to potential customers, and introduce them to potential investors (Aldrich et al., 1987). There have been five major roles of networks that have been identified for entrepreneurs: facilitating the transformation of an idea into a realistic plan; increasing aspirations; stimulating ideas; providing practical help; and giving support (Dubini & Aldrich, 1991). Entrepreneurs have been found to use the help available within their local networks during the period prior to start-up and approach formal sources when the elements of the firm are set (Birley, 1985).

There appear to be two different types of networks that are important for the entrepreneur. The first of these is the support network. A moral support system is essential for an entrepreneur, especially during the many difficult times and the loneliness that occurs throughout the entrepreneurial process. Family is the most important support mechanism, and Hisrich and Brush (1984) found that the spouse of the entrepreneur was the biggest supporter. Other family members and relatives are strong sources of moral support, particularly if any of them are also entrepreneurs (Hisrich, 1990). Friends can also play a key role in the moral support that the entrepreneur receives. They can provide advice, encouragement, understanding, and even assistance, and the entrepreneurs can confide in these friends without fear of criticism.

In addition to this moral encouragement, the entrepreneur needs advice, information, and resources throughout the initial stages of the entrepreneurial process. These can be obtained through professional networking. Aldrich et al. (1987) found that the process of sharing contacts and obtaining resources relates significantly with business founding and profitability. Some of the more important people to be included in this network group are other entrepreneurs, experts in various business matters (bankers and lawyers), colleagues or associates from trade associations of professional groups, the client group (i.e. customers and suppliers). Regardless of the nature of the business, each entrepreneur needs to establish both a morale and a professional support network. These contacts provide confidence, support, advice, and information.

2.5 The individual

There has been a great deal of research in an attempt to identify individual characteristics that are important for entrepreneurship. The personal factors have been broadly categorized by Tropman and Morningstar (1989) into: (1) Characteristics - the psychological characteristics that are stable over time, and (2) Competencies - the ability to do certain things, which are divided into skills (acquired performance modalities in a range of areas from writing and speaking to specific business experience and the ability to undertake self and failure analyses) and style (fitting and adjusting your talents and abilities into the extant organisational structure).

2.5.1 Personality Characteristics

The entrepreneur is perceived to be different in important ways from the non-entrepreneur, and many researchers have believed these differences to lie in the background and personality of the entrepreneur. The following psychological characteristics have been strongly linked to entrepreneurship and the entrepreneurial process:

- a high need for achievement;
- an internal locus of control;
- high self-confidence;
- flexibility;
- persistence and determination;
- innovative tendency;
- greater risk taking potential; and
- ability to tolerate ambiguity.

(For a more detailed investigation of personality characteristics, refer to Section 2.9)

2.5.2 Childhood family environment

Research has been conducted on the following topics in the family environment of the entrepreneur: birth order, parents' occupation, parents' social status, and relationship to the parents. The impact of birth order has had conflicting results, with researchers finding evidence to argue that entrepreneurs tend to be first born (Hisrich & Brush, 1984), and others finding the first-born effect being absent (Bowen & Hisrich, 1986). Because this relationship has been only weakly demonstrated, further research in this area is necessary before conclusions can be reached (Auster & Auster, 1981; Bowen & Hisrich, 1986; Sexton & Kent, 1981).

In terms of the occupation of the entrepreneur's parents, there is strong evidence to suggest that male entrepreneurs tend to have entrepreneurial or self-employed fathers (Bowen & Hisrich, 1986; Hisrich, 1990). It has come to be accepted that this paternal link provides the most credible role model for filial entrepreneurial endeavour in later life (Watkins & Watkins, 1984). While the research is less consistent, female entrepreneurs have a greater chance of having entrepreneurial mothers (Bowen & Hisrich, 1986; Sexton & Kent, 1981; Watkins & Watkins, 1984). Of female entrepreneurs, Watkins and Watkins (1984) found that a female entrepreneur is some four times more likely to have been subject to the influences of an entrepreneurial parent (father and/or mother) than a member of the general population.

This parent occupation is only one of the familial factors which might influence the choice of an entrepreneurial career; parental expectation is another (refer to Section 2.9). A male's measure of personal success may be strongly related to the level of achievement attained by his father (Roberts & Wainer, 1971). Several research studies have indicated that the attitudes of parents have a definite effect on the development of a strong or weak achievement motivation in children (McClelland, 1961). In addition, it may be that simple familiarity with a business environment increases the probability that an offspring will become an entrepreneur (Roberts &

Wainer, 1971). Entrepreneurial fathers are more likely to produce entrepreneurial sons, both because of exposure in the home to a business-oriented atmosphere and because of the goal orientation that may be instilled in a son by an entrepreneurial father (Roberts & Wainer, 1971).

2.5.3 Age

Age has also been researched in terms of entrepreneurship (Ronstadt, 1982, 1983). An important difference that needs to be considered is that of entrepreneurial age (the age of the entrepreneur as reflected in the experience in the field of the feature or being self-employed) and chronological age (Hisrich, 1990). Entrepreneurial experience is one of the best predictors of success particularly when the business is in the same field as previous experience.

In terms of chronological age, entrepreneurs initiate their entrepreneurial careers at a variety of ages. Although an average age has little meaning, generally when appropriate training and preparation are present, earlier starts in an entrepreneurial career are better than later ones. There are, according to Ronstadt (1984), milestone years that occur in approximately five-year intervals between 25 and 50 when a person is more inclined to start an entrepreneurial career. Cooper (1973) found that individuals generally start their businesses when they are in their thirties, while Hisrich (1990) found that male entrepreneurs generally tend to start their first significant venture in their early 30's, and female entrepreneurs tend to do so in their middle 30's. It is then that they have the track record, experience and savings to make founding feasible, whilst having the energy level and willingness to take risks which are necessary (Cooper, 1981).

2.5.4 Gender

Many studies have been conducted on women entrepreneurs since the beginning of the 1980's (Moore, 1990; Lee-Gosselin & Grise', 1990). Differences in motives between male and female entrepreneurs have been reported by Cromie (1987b) and Watkins and Watkins (1984): women were reported to be more dissatisfied with their careers and see entrepreneurship as a means of accommodating their work and child rearing roles simultaneously while men are more strongly motivated by making money and have more experience of business founding than women by Cromie (1987b) and Watkins and Watkins (1984). However results do indicate that the different motives may be due to socialisation rather than intrinsic attributes.

Taken together, the qualitative and quantitative results show that male and female samples do not deviate substantially in their motives (Cromie, 1987b; Welsch & Young, 1982). The literature therefore points to the lack of objective evidence to support any bias towards women and emphasizes the need for small business support agencies to treat male and female entrepreneurs uniformly (Watkins & Watkins, 1984).

2.5.5 Motivation

Entrepreneurs' motivation for starting a business is an important area for study because of its probable effect on the kind of business they start, the growth pattern of the business, and the entrepreneurs' behaviour within the

business (Roberts & Wainer, 1971). Entrepreneurship has its motivations and rewards, and is identified as offering greater economic and psychological rewards than does the larger company route (Burns & Dewhurst, 1989). However the decision to start one's own business has long been regarded as a high-risk decision and statistics have shown that the majority of small businesses fail within five years of their inception (Stoner & Fry, 1982). If the proper incentives are to be provided in order to increase the rate of entrepreneurship in South Africa, then it is essential that we understand the underlying motives for creating businesses. Why then do people create their own businesses?

Motivation is regarded as an intervening process or an internal state of an organism that impels or drives it to action (Schiffman & Kanuk, 1978). Although there are several variations on this theme, motivation is identified as an energizer of behaviour. It can be viewed as a generalized drive without any specific goal or directionality, or it can be viewed as being specific to particular drives and needs and therefore must be analyzed in terms of specific goals and directionality. Motivation cannot be used as a singular explanation of behaviour but rather, motivational states result from the multiple interactions of a large number of variables, such as the need or drive level, the incentive value or the goal, the organism's expectations, the availability of the appropriate responses, the possible presence of conflicting or contradictory motives, and unconditional factors. Finally, motivation is linked to emotion. Emotional states tend to have motivational properties and the energizing elements of a motivational disposition often have a strong emotional tone to them.

From the early foundational theories of motivation developed by Maslow, McGregor, and Hertzberg, most contemporary research on motivation falls into three broad orientations:

- The physiological, which aims at an analysis of neurological and biochemical elements;
- The behavioural, which is concerned largely with elaboration and refinement of drive theory and learning theory; and
- The psychosocial, which is oriented towards explanation of complex, learned, human behaviours.

Occupational choice is a compromise between valuations and appraisals: between what the individual hopes to get from an occupation and the individuals appraisal of his or her chances of attaining it (Cromie, 1987a). Individuals strive - both consciously and subconsciously - to reduce tension (the result of unfulfilled needs, wants or desires) thorough behaviour that they anticipate will fulfil their needs and thus relieve them of the stress they feel. Specifically, intention requires the individual's ability and willingness to sustain temporal tension, to stretch between a vision of what could be and the current position (Bird, 1992).

New businesses get started and develop through initial stages largely based on the visions, goals and motivations of individuals (Bird, 1992). Starting an entrepreneurial business is a creative process, requiring entrepreneurial motivation and an average of five years of logical preparation before the would-be entrepreneurs have assembled the necessary resources, built up network contacts and reached the commitment of starting their own business (Mahadea, 1993). These new organisations are the direct outcome of individuals'

intentions and consequent actions, moderated or influenced by environmental conditions (Bird. 1992). The specific goals that they select and the patterns of action they undertake to achieve their goal are the result of these individuals' thinking and learning.

The creation of a business is an outcome of an individual's intentions and consequent actions. moderated or influenced by environmental conditions. The decision to start a new business is in every sense a strategic decision that involves non-routine decisions to commit major resources to create a particular business at a particular time and place (Cooper, 1981). The decision to found a business seems to be influenced by three broad factors (Cooper, 1981). These are :

- the entrepreneur, including the many aspects of his or her background which affect his or her motivations, perceptions, skills and knowledge (i.e. genetic factors, family influences, educational choices, previous career experiences).

- The organisation for which the entrepreneur had previously been working, whose characteristics influence the location and nature of the new firm, as well as the likelihood of spin-offs (i.e. geographic location, nature of skills and knowledge acquired, contact with possible fellow founders, motivation to stay with or leave organisation, experience in a small business setting).

- Various environmental factors external to the individuals and their organisation, which make the climate more or less favorable to the starting of a new firm (i.e. economic conditions, accessibility and availability of venture capital, examples of entrepreneurial action, opportunities for interim consulting, availability of personnel and supporting services and accessibility of customers).

The research literature on the motivations of entrepreneurs has expanded considerably in recent years using two broad approaches: the first is by asking entrepreneurs direct questions concerning their motives for starting a business or businesses; and the second is through the use of psychometric scales and projective tests aimed at measuring the extent to which business owners have certain entrepreneurial needs. There appears to be a multitude of different motives for proprietorship (refer to Table 1). These motives include positive motivations or 'pull' factors (i.e. to pursue an opportunity identified in the environment) and negative motivations or 'push' factors (i.e. dissatisfaction with one's previous job or career) or a combination of the two motivation types.

The need for personal autonomy as a motive for proprietorship is clearly documented (Burch, 1986; Bygrave, 1994; Collins & Moore, 1970; Cromie, 1987a; Devine & Clutterbuck, 1985; Goffee & Scase, 1983a; Hisrich & Brush, 1986; Mahadea, 1993; O'Connor, 1983; Roberts & Wainer, 1971; Schwartz, 1976; Stanworth & Curran, 1973; Stoner & Fry, 1982; Storey, 1982). This expressed need is related to other important motives, both positive and negative.

Table 1. Motives leading to self-employment.

Motives	Author(s)
Independence & Autonomy	Burch, 1986; Bygrave, 1994; Collins & Moore, 1970; Cromie, 1987a; Devine & Clutterbuck, 1985; Goffee & Scase, 1983a; Hisrich & Brush, 1986; Mahadea, 1993; O'Connor, 1983; Roberts & Wainer, 1971; Schwartz, 1976; Stanworth & Curran, 1973; Stoner & Fry, 1982; Storey, 1982.
Greater economic potential	Burch, 1986; Bygrave, 1994; Collins & Moore, 1970; Cross, 1981; Feldman, Koeberg & Dean, 1991; Goffee & Scase, 1983a; Mahadea, 1993; O'Connor, 1983; Roberts & Wainer, 1971; Schwartz, 1976; Stoner & Fry, 1982; Storey, 1982; Watkins, 1971.
To pursue an opportunity	Cromie, 1987a; Hisrich & Brush, 1986; Murray, 1983; O'Connor, 1983; Rothery, 1977; Stoner & Fry, 1982; Storey, 1982.
Achievement	Burns & Dewhurst, 1989; Cromie, 1987a; Cross, 1981; Hisrich & Brush, 1986; Rothery, 1977; Schwartz, 1976; Storey, 1982.
To make use of skills acquired	Cromie, 1987a; O'Connor, 1983.
Desire to innovate	Cromie, 1987a.
Enhanced job satisfaction	Schwartz, 1976.
Obtaining an income in a manner compatible with other obligations (i.e. family)	Cromie, 1987a; Goffee & Scase, 1983a; Mahadea, 1993.
Dissatisfaction and frustration with previous job	Brockhaus, 1980c, 1982a; Cromie, 1987a; Cross, 1981; Hisrich & Brush, 1986; Liles, 1974; Murray, 1983; Rothery, 1977; Shapero, 1975; Siropolis, 1977; Stoner & Fry, 1982; Storey, 1982.
Negative displacement	Cooper & Dunkelberg, 1986; Shapero, 1975; Shapero & Sokol, 1982.
Dissatisfaction with previous career	Goffee & Scase, 1983a; Weinrauch, 1980.
Actual or threatened redundancy	Cooper, 1970; Cross, 1981; Storey, 1982.
Job insecurity	Cromie, 1987a; Mahadea, 1993.
Employment	Goffee & Scase, 1983a; Mahadea, 1993.
Avoid female subordination within the domestic sphere	Goffee & Scase, 1983a.

Siropolis (1977) states that dissatisfaction with the previous job is a critical factor influencing one to undertake an entrepreneurial venture. Brockhaus (1980c) furthermore suggests that if the level of this dissatisfaction is particularly extreme or intense, the individual may perceive no satisfactory work alternatives other than entrepreneurship. More specifically, Goffe and Scase (1983a) state that self-employment offers an opportunity to escape from employer and managerial-imposed control systems of the workplace. In fact, Goffee and Scase (1983a) contend that an important factor for women is the wish to avoid dependency in the domestic sphere or subordination within the working environment. Business proprietorship, according to Goffee and Scase (1983a), has traditionally offered a means whereby individual members of economically and socially deprived minority groups have 'escaped' from positions of subordination and achieved a measure of self-determination.

Negative displacement (Cooper & Dunkelberg, 1986; Shapero, 1975; Shapero & Sokol, 1982), actual or threatened redundancy (Cooper, 1970; Cross, 1981; Storey; 1982) and job insecurity (Cromie, 1987a; Mahadea, 1993) are all strong motivators for proprietorship. The hardship associated with prolonged unemployment and the poor prospects of finding suitable employment may leave the individual with no alternative other than entrepreneurship (Goffee & Scase, 1983a; Mahadea, 1993). Other research has supported the idea that dissatisfaction with a previous job (Brockhaus, 1980c, 1982a; Cromie, 1987a; Cross, 1981; Liles, 1974; Murray, 1983; Rothery, 1977; Stoner & Fry, 1982; Storey, 1982; Hisrich & Brush, 1986), and previous career (Goffee & Scase, 1983a; Weinrauch, 1980) are an important stimulus for the establishment of a business.

This scenario of the dissatisfied or displaced person seeking escape conflicts with the perception of and awareness of those entrepreneurs who report favorable evaluations of most of the dimensions of their previous jobs (Stoner & Fry, 1982). These negative motivations are important factors affecting the entrepreneurial decision, but entrepreneurs may pursue new opportunities and challenges through an independent venture rather than to avoid or escape the dissatisfaction of the previous job.

Some of the positive or opportunity-generating motives include: requiring flexibility to deal with dual roles such as parent and provider (Cromie, 1987; Goffee & Scase, 1983a; Mahadea, 1993); an achievement orientation (Cromie, 1987; Cross, 1981; Rothery, 1977; Schwartz, 1976; Storey, 1982; Hisrich & Brush, 1986; Burns & Dewhurst, 1989); the desire to make more money or realize greater economic potential (Collins & Moore, 1970; Cross, 1981; Feldman, Koberg & Dean, 1991; Goffee & Scase, 1983a; Mahadea, 1993; O'Connor, 1983; Schwartz, 1976; Stoner & Fry, 1982; Storey, 1982; Roberts & Wainer, 1971; Watkins, 1971; Burch, 1986; Bygrave, 1994); to make use of skills acquired (Cromie, 1987a; O'Connor, 1983); the desire to innovate (Cromie, 1987a); enhanced job satisfaction (Schwartz, 1976); and to pursue an opportunity (Cromie, 1987; Murray, 1983; OConnor, 1983; Rothery, 1977; Stoner & Fry, 1982; Storey, 1982; Hisrich & Brush, 1986).

In brief surveys, such as questionnaires, founders have reported the socially acceptable reasons as to why they became entrepreneurs: reasons such as the desire for independence and financial gain (Cooper, 1981). Cooper

(1971) however, found that in-depth interviews often disclose that the founder was 'pushed' from the parent organisation by frustration or dissatisfaction.

All the evidence suggests that the motives for starting a business are diverse (Boswell, 1973; Collins & Moore, 1970; Mahadea, 1993; Stoner & Fry, 1982). All in all, regarding motives for business founding, the literature reveals that entrepreneurial drives are complex and appear to fulfil a wide variety of needs. Since the results indicate that entrepreneurs are motivated by diverse needs, small business agencies and financial institutions should recognise that monetary incentives may not be the most important areas for aspiring entrepreneurs (Mahadea, 1993). The number of citations in support of autonomy, achievement, and discontentment with jobs allows us to propose that non-economic motives compete strongly with economic motives as a basis for starting a business (Cromie, 1987a).

2.5.6 Education

The education level of entrepreneurs has received significant research attention. Education was found to be an important factor in the upbringing of the majority of entrepreneurs. While some research has pointed towards the idea that the entrepreneur was poorly educated (Jocabowitz & Vidler, 1982), the results of a large number of studies (Brockhaus, 1982b; Douglass, 1976; Gasse, 1982; Gomolka, 1977; Gosselin & Grise', 1990; Hornaday & Aboud, 1971) conclude that entrepreneurs tend to be better educated than the general population. These results also indicate that on average the entrepreneur is slightly less educated than the manager or executive in an organisation (Brockhaus, 1982b; Sexton & Kent, 1981). The importance of education is not only reflected in the level of education obtained by many entrepreneurs but also in the fact that it continues to play a role as entrepreneurs try to cope with problems and to correct deficiencies in business training (Hisrich, 1990).

Considering the nature of the education received, Watkins and Watkins (1984) found that almost nothing that had been studied in the education system by females per se was perceived as relevant to the choice of eventual business as founded and operated. In contrast, the process of education and professionalisation can for many members of male samples be seen as a steady progression culminating eventually in the formation of a specific business venture well suited to that individual's interest and skills (Watkins & Watkins, 1984). The female entrepreneurs were basing their business on a more restricted experience base acquired after the cessation of a largely irrelevant educational process. Roberts and Wainer (1971) concluded that technical entrepreneurs whose fathers had high occupational status were educated sooner and to a higher level than those whose fathers had low occupational status. They were also more educated than the general population.

Douglass (1976) states that even though entrepreneurs have more education than commonly believed, education apparently does not contribute directly to business success (i.e. business school graduates are not as successful as other college majors, and college graduates are not as successful as nongraduates). Although education is not essential for the creation of a successful venture, it does provide a good background, particularly when it is

related to the field in which the venture was started. Entrepreneurs have expressed the need for education and training in the areas of finance, strategic planning, marketing, and management (Hisrich, 1990).

2.5.7 Experience

Shapero and Sokol (1982) proposed a framework for understanding how previous work history may interact with other experiences in a person's life to encourage an eventual decision to launch an entrepreneurial venture. They emphasized negative displacements such as dissatisfaction with various aspects of one's job and being a displaced person, as well as various aspects of one's job and experience in working in an incubator organisation. Factors that need to be considered are: the extent of prior work experience, satisfaction with previous job and occupation, displacement and the role of the incubator organisation.

It has been recognised that prior attempts to create a business constitute good learning which increases the chances of future success and that patterns of repeated entrepreneurship may themselves form a distinct career path (Watkins & Watkins, 1984). Cooper (1971) found considerable evidence to indicate that different kinds of employment situation incubate new ventures at different rates (cited in Watkins and Watkins, 1984). Although this need for prior experience may seem obvious, many people start a small business which is totally unrelated to their educational or experiential background. For entrepreneurs in general, there is a need for substantial additional research before conclusions can be reached regarding patterns of prior work experience (Bowen & Hisrich, 1986).

Incubator organisations

Potential entrepreneurs may be moved towards business ownership by many factors, including the nature of the organisation they work for. Incubator organisations are small firms or divisions, where, because the top manager and the potential entrepreneur are likely to have frequent close contact, the top manager becomes a credible role model for the entrepreneur (Cooper 1971; Shapero & Sokol, 1982).

Research on technical entrepreneurs suggests that existing organisations may vary widely in the extent to which they spin off entrepreneurs who start new businesses (Cooper, 1971). Studies of spin-off rates from established organisations show that internal factors influence spin-off rates, with internal problems being associated with high rates of spin-off and placid times being associated with low rates (Cooper, 1973). Thus, the extent to which the strategic and operating decisions of the established firm satisfy or frustrate its employees influences whether spin-offs will occur (Cooper, 1981).

Research by Stoner and Fry (1982) found that entrepreneurs whose current operations were in work areas different from their previous work experience were more inclined to start their own businesses because of dissatisfaction with the actual work at the previous job; while entrepreneurs whose current businesses were in work areas similar to their previous job experience did not express dissatisfaction with the previous job and were basically motivated to start a business because of the perceived opportunity available through

entrepreneurship. Stoner and Fry (1982) continud by stating that respondents in the group similar to their previous jobs possessed specific skills in the chosen field, had an understanding of the basic environment and constructs of the work, and a previously developed positive attitude towards the work. Such factors were not apparent from individuals in the different group. Founders often seem to start new businesses in fields they already know, drawing upon technical and market knowledge acquired in the incubator organisation (Cooper & Dunkelberg, 1987). Studies of entrepreneurship in technical industries suggest that most entrepreneurs have previously worked in the industry (Brockhaus, 1982a).

Incubators are good for learning technologies and markets. From the available data, it appears that the more technical the industry, the more critical incubator experiences are likely to be in encouraging women to make entrepreneurial decisions (Bowen & Hisrich, 1986). Before changing careers and starting any type of business, it is extremely helpful to have some prior experience in the field one plans to enter. By gaining prior experience, a prospective owner is able to identify more readily opportunities and problems within an industry and make helpful contacts with future customers, suppliers, managers, competitors and trade associations (Weinrauch, 1980). The experience of the entrepreneur is therefore important for the launch, growth and eventual success of the new business.

Although there are a variety of motives that prompt the decision to start a business, once that decision has been made, previous experience becomes important. Particularly important experience areas are: obtaining financing; developing the best product or service for the market; establishing manufacturing facilities; developing channels of distribution; and preparing the marketing plan for market introduction (Hisrich, 1990) . As the business develops and grows, so managerial experience and skills become increasingly important. As the business becomes increasingly complex, so the need for entrepreneurial experience increases (Hisrich, 1990).

2.6 The small business

The positive perceptions of and attitude towards small business in South Africa is supported by research that concludes that small business has an advantage over larger firms when it comes to innovation and employment creation, thereby making them important for economic development (Burns & Dewhurst, 1989). Comparative studies of large and small businesses, carried out in countries at all stages of development, have confirmed that small firms employ more labour per unit of capital, and require less capital per unit of output, than do larger ones (Harper, 1987).

Enterprise size, according to Suarez-Villa, has been one of the most significant variables influencing industrialisation and the international diffusion of innovations (Giaoutzi, Nijkamp & Storey, 1988). Suarez-Villa goes on to point out that small and medium sized industrial enterprises have, in particular, been major vehicles for both employment creation and the diffusion of innovations at local and regional levels, especially in less developed economies. Small businesses have a more open and fluid organisational structure, allowing them

to change and adapt more rapidly than their larger counterparts, thus making them more effective in turbulent environments such as the present South African environment. They also appear to be more innovative, and information is distributed more widely, thus making them effective vehicles for change (Burns & Dewhurst, 1989).

Small business is widely accepted as holding much promise for economic development and advancement in this country, but what exactly is a small business? Small business is easier to describe than to define. The Bolton Report of 1971 in Burns and Dewhurst (1989, p. 2) described a small business as follows:

> "In economic terms, a small firm is one that has a relatively small share of its market; it is managed by its owners or part owners in a personalised way, and not through the medium of a formalised management structure; and it is independent in the sense that it does not form part of a larger enterprise and that the owner/managers should be free from outside control in taking their principal decisions."

Owner-management of a small business is a distinct discipline characterised by severe constraints on financial resources, a lack of trained personnel, and a short range management perspective imposed by a volatile competitive market (Welsch & White, 1981, p. 32). Personalised management of the business is, perhaps, the most characteristic factor of all followed by independence from outside control. It implies that the owner actively participates in all aspects of the management of the business, and in all decision-making processes (there is little deviation or delegation of authority). The power is therefore highly centralized in the hands of one or two owners or managers (Miller, 1983). The strategy making in these firms tends to be intuitive rather than analytical, in that it is performed by individuals who have a 'feel' for their business, not by staff planners and technocrats (Miller, 1983, p. 772). There is generally little planning, time horizons are short, and the focus is upon operating matters rather than visionary master plans (Filley & House, 1969).

There are other characteristics of small business that may be added to the list. Perhaps the most obvious is the severe limitation of resources faced by small firms, both in terms of management and manpower as well as money. Welsch and White (1981) argue that the size of small businesses creates a condition known as 'resource poverty' that distinguishes it from large businesses and requires some very different management approaches. This resource poverty is a result of various conditions unique to small businesses; conditions such as the highly competitive nature of the small business environment, the low level of revenues of small business, and the impact of external forces that have more impact that on larger businesses. Such limitations mean that small businesses can seldom survive mistakes or misjudgments (Welsch & White, 1981). According to Bhide (1992) starting a business with limited funds requires a different mindset and strategic approach than launching a well capitalized venture.

In defining the small or medium size business, preference appears to be given to economic definitions, and for the purposes of this research project the following definition of a small business will be used:

> A small business is a formally registered business with less than 50 workers. Turnover could be as high as R5 million p.a. and the business could own assets to a value of less than R3.5 million.
>
> (Based on a definition of the Small Business Development Corporation)

Even though there is a considerable overlap between small business and entrepreneurship, the concepts are not the same (Carland, et al., 1984). Not every individual that starts a small business is an entrepreneur, and not every business that is started is entrepreneurial (Drucker, 1985). The erroneous description of entrepreneurs that fails to distinguish adequately between entrepreneurs and other business owners and managers can jeopardize investigations in a variety of ways.

2.6.1 Identifying small entrepreneurial businesses

While it has been established that not all small businesses are entrepreneurial in nature, a great deal of research fails to distinguish between an entrepreneurial venture and a new business venture and in many research studies entrepreneurship is identified as being synonymous with the owner-manager who creates and operates a new business (Ahmed, 1985; Begley & Boyd, 1987a; Cooper & Dunkelberg, 1987; Hisrich & Brush, 1986; Low & MacMillan, 1988). With the growing need to distinguish between entrepreneurial and non-entrepreneurial businesses, there has been a concerted effort to achieve this distinction and it is the activities and strategic behaviours of the businesses (and business owners) that have been used to determine whether it is entrepreneurial or not.

Although some papers have attempted to differentiate between entrepreneurs and small business owners (Carland et al., 1984), others have distinguished between different types of entrepreneurs (Cromie & Hayes, 1988; Dunkelberg & Cooper, 1982, cited in Chell et al., 1991; Gibb and Ritchie, 1982; Goffee and Scase, 1983b; O'Connor, 1983; Smith, 1967; Vesper, 1980) and different typologies based on the strategic behaviour of the firm (Filley & Aldag, 1978, cited in Chell et al., 1991).

Research differentiating between different types of entrepreneurs has concluded that it is unwise to speak of "the" entrepreneur. Goffee and Scase (1983b) indicated that there were four distinct types of male entrepreneurs: self employed; small employer; owner-controllers; and owner directors. Evidence from other entrepreneurial studies have confirmed that entrepreneurs are not a homogeneous group. Smith (1967) distinguishes two types: opportunistic and craftmen; Vesper (1980) lists 11 different types; Gibb and Ritchie (1982) developed a four-fold classification; Dunkelberg and Cooper (1982 cited in Chell et al., 1991) identified three types while: O'Connor (1983) talks of master, careerist and exploitative venturers. Research studies that identify entrepreneurial types are similar to many social psychology models that suggest that particular traits

have a limited influence on specific people in specific situations (Bem & Allen, 1974; Kenrick & Funder, 1988).

Carland et al. (1984) argue for a fundamental distinction between entrepreneurs and small business owners. Three different factors have been used in attempts to differentiate between small business entrepreneurs and other small business owners. These factors are: organisational growth, risk taking propensity and, the innovative strategic behaviour of the firm.

Growth

Growth is considered by some to be a central feature of entrepreneurial activity (Tropman & Morningstar, 1989). This growth orientation, in and of itself, would represent an entrepreneurial characteristic to some scholars (Dunkelberg & Cooper, 1982) but, as Vesper (1980) has pointed out in his continuum of venture types, many business owners never intend for their businesses to grow beyond a certain size even though their businesses may be considered entrepreneurial. Growth alone is an indication of an entrepreneurial business, but it is not sufficient for a business to be considered entrepreneurial, and Reich (1983) suggests that growth may even be destructive. It is therefore necessary to go beyond the notions of growth and growth stages to conceive of an entrepreneurial venture (Carland et al., 1984).

Risk-taking

The taking of risks and its association with business is also seen by some researchers as essential to the entrepreneurial activity (Tropman & Morningstar, 1989). Morris and Paul (1987) define an entrepreneurial orientation as the propensity of a company's top management to take calculated risks, to be innovative, and to demonstrate proactiveness. Even though risk is a component of the process of entrepreneurship, it is the new approach that is used, not the risk, that characterises the entrepreneurial firm. Schumpeter (cited in Carland et al., 1984) identifies risk as being inherent in ownership rather than entrepreneurship. This is supported by Brockhaus (1980b) who demonstrated with empirical results that risk taking behaviour cannot be used as a distinguishing factor of entrepreneurship. According to Drucker, the entrepreneur is not risk focused but rather 'opportunity focused' (Drucker, 1985).

Innovation

The critical factor that appears to distinguish entrepreneurs from other small business owners is their innovative strategic behaviour. In a changing environment such as in South Africa, innovation is a key survival strategy and one of the most effective ways to compete (Coetzee & Visagie, 1993). Tropman and Morningstar (1989) state that an entrepreneurial business is characterised by the introduction of a new product or a new service, or there is something different, inventive, or innovative about the business or venture. Glueck (1980) distinguished between entrepreneurial ventures and what he termed "family business ventures" by focusing on strategic practices. This strategy or business orientation consists of those underlying philosophies that determine the nature and scope of a businesses activities and plans (Peterson, 1989). An organisation's business

orientation is its underlying philosophy, which tends to flavour the overall decision making framework of its management (Miles & Arnold, 1991). An entrepreneurial orientation suggests that a business must constantly seek to exploit the dynamics of its environment.

Schumpeter (1934) suggests that five categories of behaviour can be observed that are characteristic of an entrepreneurial venture. The entrepreneur, according to Schumpeter, is the prime mover in economic development, and the entrepreneur's function is to innovate, or to "carry out new combinations" (Casson, 1983). The most distinctive aspect of Schumpeter's system was his emphasis on entrepreneurship as the vital economic force which disrupts the circular flow, thereby initiating and sustaining the process of development (Hart, 1972). These categories are supported by Vesper (1980) and can be used as a basis for classification criteria.

Five types of innovation distinguished by Schumpeter (1934) are: the introduction of a new good (or an improvement in the quality of an existing good); the introduction of new methods of production; the opening of a new market (in particular an export market in a new territory); the conquest of a new source of supply of raw materials or half-manufactured goods; and the creation of new type of industrial organisation (in particular the formation of a trust or some other type of monopoly) (Casson, 1983). If any of the criteria are observed in a firm's strategic actions, then that firm can be classified as an entrepreneurial venture. Schumpeter stressed that entrepreneurial innovation necessarily included not just invention or technological improvements but encompassed all the activities necessary to make innovation commercially viable (Hornaday, 1992).

In differentiating between entrepreneurs and small business owners, Carland et al. (1984, p. 358) define a small business venture as "any business that is independently owned and operated, not dominant in its field and does not engage in any new marketing or innovative practices". Carland et al. (1984, p. 358) then defines an entrepreneurial venture as "one that engages in at least one of Schumpeter's... categories of behaviour: that is, the principal goals of an entrepreneurial venture are profitability and growth and the business is characterised by innovative strategic practices".

While it is clear that there are many factors that affect whether a small business can be considered entrepreneurial or not, it is important to discard the notion that entrepreneurship is an all-or-non trait, that some people or organisations possess and others do not (Stevenson & Gumpert, 1985). For the purposes of this research, entrepreneurship is viewed in the context of a range of behaviour dependent on the relationship between the situational context and the internal properties of the firm or individual. For the purposes of this research, a small business is distinguished from an entrepreneurial firm by the presence of innovative strategic practices. If a small business engages in at least one of Schumpeter's five categories of strategic innovative behaviour, then that business is considered an entrepreneurial business.

2.7 Results of entrepreneurship

Small business creation or ownership is not without its costs. The decision to leave a present career and life-style is not an easy one and the expectations and realities of small business entrepreneurship are sometimes very different. Both the positive and negative results of small business creation and ownership require attention.

2.7.1 The benefits of self-employment

There appear to be two positive aspects associated with self-employment. The first is that of financial rewards. The small business offers an opportunity to create a substantial and profitable business (Boyd & Gumpert, 1983). The second positive aspect is that of psychological returns. Entrepreneurs have reported a greater job satisfaction than those who had pursued administrative careers working for others (Burns & Dewhurst, 1989).

Boyd and Gumpert (1983) found that aspect such as independence, freedom of decision making and accountability to oneself were all positive aspects of self-employment. Lee-Gosselin and Grise' (1990) found that satisfactions reported by female entrepreneurs were mostly intrinsic (i.e. autonomy, esteem, self-actualisation, and control over one's life). Some extrinsic satisfaction was also mentioned, and they have to do with social visibility and scheduling flexibility, which echo constraints women experience in their other roles of partner/spouse and parent (Lee-Gosselin & Grise', 1990).

2.7.2 The costs of self-employment

The costs of self-employment result from the commitment that is required of the self-employed individual in order to make the business venture a success. Lee-Gosselin and Grise' (1990) found that one of the most important frustrations for entrepreneurs was the lack of time for oneself. A high stress level, although not inclusive to entrepreneurship, has been identified as an inherent part of entrepreneurship. Some of the benefits and costs of entrepreneurship that have been identified by Boyd and Gumpert (1983) are listed in Table 2 (listed in order of frequency).

Boyd and Gumpert (1983, p. 46) identify some of the causes of stress among entrepreneurs:

- loneliness: The long hours at work away from the family and friends result in isolation and loneliness. Confusion exists in the individuals' minds about where their business lives ends and their personal lives begin.
- Immersion in business: The inability to take time off from the business. Two frequently cited costs of ownership were the overwhelming dominance of professional life and the personal sacrifices it entails.
- People problems: Frustration and disappointment experienced in relationships with partners and subordinates.
- The need to achieve: To survive and prosper as a business owner, one must be a hard driver - an achiever. A fine line however exists between attempting to achieve too much and failing to achieve enough. More often than not, the business owners appeared to be trying to accomplish too much.

Table 2. Benefits and costs of entrepreneurship.

Most frequently mentioned benefits	Most frequently mentioned costs
1. Freedom to make decisions about business.	1. Personal sacrifices.
2. Accountability only to yourself.	2. Burden of responsibility.
3. Financial rewards and perquisites.	3. Dominance of personal life.
4. Feeling of achievement.	4. Loss of psychological well-being.
5. Involvement in all aspects of the business.	5. Lack of human resources.
6. Opportunity to respond quickly to change.	6. Uncontrollable forces.
7. The challenge of taking risks in new areas.	7. Isolation in problems.
8. Personal contact with employees and customers.	8. Friction with partners and employees.
9. Having direct impact on company's direction.	9. Commitment of personal finances for start-up.
10. Absence of bureaucracy and organisational policies.	10. Difficulty of finding creative time.

(Boyd and Gumpert, 1983, p. 52)

Entrepreneurship is clearly satisfying and challenging to those who choose this career route. On the other hand, it can be extremely stressful and self-destructive. Given these causes of stress that have been identified, entrepreneurs can combat excessive stress by: firstly, acknowledging its existence; secondly, by developing coping mechanisms; and thirdly, by probing their unacknowledged needs (Boyd & Gumpert, 1983). If entrepreneurs and small business owners come to terms and learn to deal with the stress that they experience, they can enhance their career and well-being.

There are several schools of thought regarding entrepreneurship and these may be divided roughly into those that identify the word with an economic function; those that identify it with an individual; those that view entrepreneurship in behavioural terms (Burns & Dewhurst, 1989) and the contingency approach which views entrepreneurship as a function of various specifiable contextual variables.

2.8 The economic functional approach to understanding entrepreneurship

Economists through the ages have contributed widely to entrepreneurship research and the entrepreneur has been identified as playing a central role in prominent descriptive theories of economic development (Schmitz, 1989). The economic functional analysis focuses upon the economic role performed by the entrepreneur (Burns & Dewhurst, 1989).

The first formal economic definition of entrepreneurship as "self-employment of any and every sort" was introduced by Richard Cantillon during the latter years of the mercantilistic age (Long, 1983). The critical difference between the entrepreneur and others, argued Cantillon, was living with the additional uncertainty

surrounding self-employment (Long, 1983). Cantillon's theory was extremely rudimentary, but his recognition of certain aspects of the entrepreneurial role - most notably organization, the assumption of uncertainty and response to effective demand - laid the foundation for further enquiries into entrepreneurship (Hart, 1972).

The management-coordination function is often regarded as a second function of entrepreneurship, and it is here that the distinction between the entrepreneur and business executives becomes blurred (Hartman, 1959). Cantillon's ideas were expanded by Say who conceptualised the entrepreneur as the organiser of the business firm, central to its distributive and productive functions (Palmer, 1971) and in so doing brought the entrepreneur closer to the role of the manager. According to Say, the principal quality of the entrepreneur was to have good judgement, with the most important function being performed by the entrepreneur being that of universal mediation (Hart, 1972). Say's work also indicated that if entrepreneurial theory is to be useful, it is essential that cognisance be taken of socio-economic institutions (Hart, 1972).

Penrose also identified the personal qualities of the entrepreneur as being important influences on the growth of the firm and she stated that managerial capacities should be distinguished from entrepreneurial capacities (Long, 1983). She maintained that entrepreneurial characteristics were required for the growth and development of a business. The entrepreneurs' versatility, she argued, gives them a wider business horizon and encourages them to experiment with new products. The fund raising ingenuity of the entrepreneur she identified as critical, particularly for the small firm owner trying to get business off the ground. Judgement too is important, for it is the accuracy of the entrepreneur's perception of the environment that allows imagination to be exercised without too much risk of a mistake. She identified two types of entrepreneurial ambition: workmanship minded (where the entrepreneur is satisfied to maintain a firm at a stable size); and empire builder (where the entrepreneur strives to achieve domination for his or her firm).

Leibenstein (1987) applied the X-efficiency theory to analyse the role of the entrepreneur. According to Leibenstein X-efficiency is the degree of inefficiency in the use of resources within the firm: it measures the extent to which the firm fails to realise its productive potential (Casson, 1983). Leibenstein (1987) regarded entrepreneurship as a creative response to X-efficiency. Entrepreneurial activities therefore pose a competitive threat to an inefficient organisation. Leibenstein identified two main roles performed by the entrepreneur: the first involves making available inputs which improve the efficiency of existing production methods or facilitates the introduction of new ones; and the second involves gap filling (Van Daalen, 1990b).

Leibenstein (1968) offered a detailed characterisation of the entrepreneur as one who performs one or more of the following: (1) connects different markets (e.g. buyers and sellers across geographic regions); (2) answers market deficiencies (gap-filling) by supplying, for instance, private information for which there is no market; (3) creates and is responsible for time-binding implicit or explicit contractual arrangements and input-transforming organisational structures (e.g. building an organisational culture of trust) and; (4) completes inputs (i.e. marshals all resources needed to produce and market a product). The provision of 'leadership, motivation,

and the availability of the entrepreneur to solve potential crisis situations' (Leibenstein, 1968, p. 74) falls into this category of resources. This managing-coordinating function further reduces the distinction between the managerial and entrepreneurial functions (Kets de Vries, 1977; Long, 1983).

Risk-taking and/or uncertainty have also been identified as important factors of entrepreneurship. After Cantillon, this notion was proposed and developed by Knight (1921), who re-emphasized the importance of judgement and commitment in the face of uncertainty as essential elements of entrepreneurship, and in doing so emphasized the courage to bear uncertainty as an essential aspect of entrepreneurship (Long, 1983). The entrepreneur was described by Knight (1921) as the individual who undertakes uncertain investments. Uncertainty according to Knight (1921) is identified with a situation where the probabilities of alternative outcomes cannot be determined either by a priori reasoning or by statistical inference (Casson, 1983). This bearing of uncertainty has to be coupled with a low aversion to risk, as reflected in a disposition by the entrepreneurs to back up their judgement with their own capital.

If the risks associated with the creation of a new enterprise could be evaluated, then markets would be organized for contingent claims on those risks, and the entrepreneur would become the manager of the claim holders (Amit, Glosten & Muller, 1993). Thus, according to Knight (1921), uncertainty aversion, rather than risk aversion, is the major inhibitor of entrepreneurship. Confidence in his or her own judgements is perhaps the most important characteristic of the entrepreneur and the elasticity of supply of self-confident people was, in Knight's (1921) view, the most important determinant of the level of profit and the number of entrepreneurs (Casson, 1983). Knight (1921) argued that satisfactory analysis can be made only within a theoretical framework which accepts dynamism and change as basic postulates (Hart, 1972).

Schumpeter linked innovation and the innovative function to the entrepreneur (Casson, 1983; Herrick & Kindleberger, 1983). This idea that innovative change in economic systems occurs through entrepreneurial activity is widely accepted (Hornaday, 1992). The entrepreneur, according to Schumpeter (1965), is the prime mover in economic development, and the entrepreneur's function is to innovate, or to "carry out new combinations" (cited in Casson, 1982). The most distinctive aspect of Schumpeter's system was his emphasis on entrepreneurship as the vital economic force which disrupts the circular flow, thereby initiating and sustaining the process of development (Hart, 1972). When Drucker (1970) summarized the tasks of the entrepreneur as: projection, combination, innovation, and anticipation, he was actually doing nothing else than restating Schumpeter's original proposition (Kets de Vries, 1977).

Schumpeter (1965) identified anyone who performs any one of the five innovative functions described in section 2.4.1 as an entrepreneur, whether they were independent businessmen or the dependent employee of a company, such as managers or directors (cited in Casson, 1982). It was made clear that not all businessmen are entrepreneurs but rather that the typical entrepreneur was the founder of a new firm rather than the manager of an established one (Palmer, 1971). Schumpeter however does not clarify the factors upon which the supply of

entrepreneurship depends; but he did make scattered references, both to what he considered to be a socio-psychological milieu favorable to the development of entrepreneurship, and to some of the personalty traits of the entrepreneur (Higgins, 1959 cited in Hart, 1972). While Schumpeter's model of economic development identifies the innovator entrepreneur as a key actor, Schultz's (1989) model focuses on the role of imitator (which is assigned a minor role in the Schumpeterian model) which is the act of transferring and implementing a new technology in promoting growth. Schmitz's (1989) model of economic growth emphasises the importance of imitation and implementation of knowledge in promoting growth.

Kirzner (1973) developed a complementary notion to the Schumpeterial ideal of the entrepreneur as a disequilibrating economic force. Kirzner saw the identification of market arbitrage opportunities as the fundamental function of the entrepreneur (Long, 1983). Alertness to disequilibrium enables some individuals to intervene in the market by changing their price when other individuals simply respond by changing their buying and selling plans in the light of the newly quoted price. His explanation of entrepreneurial activity was, however, limited to venture ideation: once awareness of an opportunity has been attained, the task becomes one for a professional manager. The entrepreneur, according to Kirzner, is an opportunity identifier and definitely not an organisation builder (Long, 1983).

Herbert and Link (1982) in a review of the economic literature, classify economic writers on entrepreneurship initially as falling into twelve ideological categories (cited in Van Daalen, 1990b). Despite its limitations, it does provide a meaningful and useful conceptual framework within which to understand economic thinking on entrepreneurship. Herbert and Link's (1982 cited in Van Daalen, 1990b, p. 2) twelve categories are:

- the entrepreneur is the person who assumes the risk associated with uncertainty (Cantillon, VonThunen, Von Mangoldt, Mill, Hawley, Knight, Von Mises, Cole, Schackle);
- the entrepreneur is a supplier of financial capital (Smith, Turgot, Ricardo, Bohm-Buawerk, Edgeworth, Pigou, Von Mises);
- the entrepreneur is an innovator (Baudeau, Bentham, Von Thunen, Schmoller, Sompart, Weber, Schumpeter);
- the entrepreneur is a decision maker (Cantillon, Menger, Wieser, Walker, Keynes, Von Mises, Schackle, Cole, Kirzner, Schultz);
- the entrepreneur is an industrial leader (Say, Walker, Marshall, Wieser, Sompart, Weber, Schumpeter);
- the entrepreneur is a manager or superintendent (Say, Mill, Marshall, Menger);
- the entrepreneur is an organiser or coordinator of economic resources (Wieser, Schmoller, Sombart, Weber, Clark, Schumpeter);
- the entrepreneur is a proprietor of an enterprise (Wieser, Pigou);
- the entrepreneur is an employer of factors of production (Walker, Keynes, Wieser);
- the entrepreneur is a contractor (Bentham);
- the entrepreneur is an arbitrageur (Cantillon, Kirzner); and
- the entrepreneur is the person who allocates resources to alternative uses (Kirzner, Schults).

The entrepreneurial role has been closely linked to the managerial role, yet the entrepreneurial role is recognised as going beyond that of the managerial role: the entrepreneur is expected to contribute disproportionately to the growth, development, and innovation of the firm. Herbert and Link (1982 cited in Van Daalen, 1990b) identify four generic types of theories: those that stress uncertainty as the key environmental characteristic of the entrepreneur; those that highlight innovation; those that regard entrepreneurship as a combination of uncertainty bearing and either innovation and spacial ability; and those that emphasises perception of, and adjustment to disequilibrium. The common element that links most of these theories is either uncertainty, innovation or a combination of the two (Van Daalen, 1990b). Creative opportunitism, innovative behaviour, superior judgement, a high level of commitment in uncertain environments as well as managerial competence, are functions that have been used to differentiate the entrepreneurial role from other roles such as that of a manager.

In the economic literature the functions performed by the entrepreneur are the all important factors in determining the extent of entrepreneurship. The role or functions performed by entrepreneurs are used to differentiated them from other groups and if anybody performs these roles or activities, then they may be labelled an entrepreneur. Given these functions performed by the entrepreneur, a question arises as to whether entrepreneurship involves entrepreneurs: individuals with unique characteristics.

Economists, according to Van Daalen (1990a), have often neglected the role of entrepreneurship because of their adherence to a static economic theory. Although the psychological approaches have often been neglected by mainstream economists, there is a growing awareness of the importance of including a human/societal perspective into the economic process (Sadie, 1987 cited in Van Daalen, 1990b). Economic theorists themselves appear to have accepted that sources of change in the economic system lie outside the actual economic system itself (McClelland, 1961). In fact, there is a strong argument that individuals do not behave entirely according to rational considerations as economists would like them to, and that psychological and sociological factors are responsible for setting the economic forces in motion that produce developments (McClelland, 1961).

2.9 Identifying entrepreneurs from personality characteristics

How does it happen that some people become entrepreneurs, while most people do not; why do some groups in society or some geographic areas have higher rates of entrepreneurship than others? Previous psychological researchers have reasoned that there must be something distinctive about the background or makeup of entrepreneurs and that research should be able to illuminate these characteristics (Cooper & Dunkelberg, 1987).

The emphasis in psychological research on entrepreneurship has been on the individual, and generally it is the entrepreneur as actor who has been the focus of the research. The entrepreneur is therefore identified as a person, an individual, rather than a group or organisation (Casson, 1982). Given that a wide range or entrepreneurial research has been conducted in psychology, it is necessary that cognisance be taken of important

psychological contributions to an understanding of the entrepreneur. Carland and Carland (1984) point out that previous research which investigated these characteristics and attributed them to entrepreneurs were not all empirical, and more importantly, the research samples were by no means homogeneous. The authors of many past studies usually did not provide important information regarding their samples and they usually made broad generalisations in defining entrepreneurs (Gartner, 1989a).

Three approaches are reviewed: the psychodynamic approach (which focuses on motivation and drives as central components of behaviour), the social development model (which takes consideration of the situation encountered), and the trait approach (which is the largest approach and aims to identify enduring personality characteristics of the entrepreneur).

2.9.1 Psychodynamic approach

The psychodynamic approach makes motivation and drives central components, and emphasizes processes of change and development. Kets de Vries (1977) described the entrepreneur as an individual who is often inconsistent and confused about his or her motives, desires and wishes, a person under a lot of stress who often appears to be irrational and impulsive. The entrepreneur is viewed as some sort of deviant and this deviant behaviour emerges in people whose attitudes have been shaped by a harsh, hostile or deprived background (Cannon, 1991). This may lead to problems in identity formation and career orientation, a process accentuated by the general inadequacy or unacceptability of the prevailing role models. Together, these characteristics identified by Kets de Vries (1977) tend to produce an aggressive, self-orientated approach to social intercourse. These entrepreneurs are therefore seldom able to integrate their personal needs with those of an organisation and create an organisation with which they can identify with, an organisation structured around themselves (Kets de Vries, 1977).

Is has been expressed by du Toit (1980) that entrepreneurs who start their own businesses generally do so because they are difficult employees. This view is supported by Collins and Moore (1964 cited in Cooper & Dunkelberg, 1987) who suggest that entrepreneurs often have difficulty in relating to authority figures, a attitude that causes them to leave school at an early age and to have a succession of jobs. Given that a small business is controlled by an individual with centralized power is seems certain, according to Burns and Dewhurst (1989) that another characteristic of the individual who wishes to run their own show is a need to be in control.

Kets de Vries (1985) has argued that a desire for control often leads to over-control: that is a desire to let no one else have any authority. In a small business this may not be a problem, and in fact it may be both practical and useful (Burns & Dewhurst, 1989). The danger is that the entrepreneur will continue these habits when the business has grown to a size when these habits are totally inappropriate. The complete psychological immersion by the entrepreneur - a factor which may have been a key ingredient for the initial success of the

enterprise - can lead to serious dysfunctional developments in the future in the case of continued growth of the enterprise (Kets de Vries, 1977).

The main theoretical problem with the psychodynamic approach is that it tends only to describe accurately the extremes of a given population and leaves the vast majority untouched, so the model may thus only be applicable to those entrepreneurs with particular backgrounds and life experiences and may not apply to entrepreneurs in general (Chell, 1985). It may also not distinguish between a particular type of entrepreneur and someone from another walk of life with similar deprived backgrounds. In this way it makes no attempt at universality.

For example, a more recent study of entrepreneurs education found them to average 13.6 years of formal education, significantly less than professional managers, but more than the general population (Brockhaus, 1986). Cooper & Dunkelberg (1987) also found that entrepreneurs were relatively highly educated compared to the population as a whole. They also found limited evidence to suggest that entrepreneurs find it difficult to relate to authority figures such as teachers. It was also difficult to find evidence that the typical entrepreneur was a drifter or found it difficult to stay in established organisations. On the whole, the entrepreneurs seemed to be better able to function in established organisations than some previous research would suggest (Cooper & Dunkelberg, 1987).

2.9.2 Social development model

Gibb and Ritchie propose an alternative model by suggesting that entrepreneurship can be wholly understood in terms of the types of situation encountered and the social groups to which individuals relate (Chell, 1985). Gibb and Ritchie's (1981) social development model (cited in Chell, 1985) provides a focus on the different stages of social development. The model assumes that individuals change throughout life and it is the individuals' transactions with specific social contexts and reference groups that shape the person (Chell, 1985). They argue that entrepreneurship is not an in-born trait: consequently, entrepreneurs can be 'made', depending on their contact networks and the interactions they have in society (Mahadea, 1993). The model accepts the formative nature of early life experience in creating basic traits and drives, but it places equal emphasis on the way adulthood itself may shape new entrepreneurial ideas and ambitions (Chell, 1985). People change throughout their 'life course' and the meaning and impact of the decision to enter into self-employment will be dependent on the individuals point in the life course during which the decision is made (Chell, 1985).

Gibb and Ritchie (1981 cited in Chell, 1985) propose a fourfold typology which spans the life cycle and suggests certain key influences at each stage. There are four stages that portray different aspects of an individual's life. The individuals at these different stages are described as improvisers, revisionists, superceders, and reverters. The 'improvisers' typify the small business owner at the early stage of his or her life and career; the 'revisionists' are slightly older and near to mid career; the 'superceders' are into the second half of their life and a new career; and the 'reverters' are in the final stage of the life cycle (Chell, 1985). There are

particular turning points throughout the course of the life cycle, where individuals work through personal transitions in order to satisfy and reconcile their own changing goals, needs and ambitions with the opportunities, circumstances, and situations which they currently find themselves in (Chell, 1985).

Chell (1985, p. 45) outlines the problems with the Gibb-Ritchie model as follows:

- although it claims to recognise the importance of early life experience in forming basic traits, it is to all intents and purposes an entirely 'situational' model.
- Although the Gibb-Ritchie model criticises the 'traditional' view of the entrepreneur as a stereotype with limited applicability, these authors would appear to have substituted four stereotypes in its place.
- On empirical grounds the generalisations made from this research were put forward on the basis of a limited, untypical collection of would-be entrepreneurs. This casts doubt on the generality of the findings.
- There are a variety of reasons for starting a business that may be applicable at any point in the life course of the entrepreneur rather than specific reasons at different points in one of four life stages.

2.9.3 Trait approach

The pure trait model states that people show powerful, unmodulated consistencies in their behaviour across time and diverse situations (Kenrick & Funder, 1988). The largest number of trait theorists have attempted to discover a single trait or a constellation of traits which they could claim differentiates the entrepreneur from other groups. Reber (1985, p. 782) defines a trait as "any enduring characteristic of a person that can serve an explanatory role in accounting for the observed regularities and consistencies in behaviour." A trait is therefore a relatively enduring disposition to respond in a given manner across a wide variety of situations. Although trait approach researchers differ in their explanations of the entrepreneur, some of these differences might be ascribed to different definitions or conceptualisations of the term "entrepreneur" (Van Daalen et al., 1990).

In their review of research on personal characteristics and role requirements for entrepreneurs Timmons, Smollen and Dingee (1990) suggest there are more than twenty personal characteristics which discriminate between entrepreneurs and others. Some of the important contributions from the trait approach are as follows.

Need for achievement

McClelland's (1961) work on achievement motivation has contributed to the trait literature on entrepreneurship. From his social psychological perspective, human beings are seen as driven by three motives: the need for achievement (accomplishing things); for affiliation (being with others); and for power (controlling others). Of these three, McClelland suggested that achievement motivation (nAch) was a primary characteristic of the entrepreneur (McClelland, 1961). The achievement motive is best described as a desire to perform at a high standard of excellence, or to be successful in competitive situations. People high on nAch are described as continually striving to do things better; they want to overcome obstacles, but they want to feel that their success (or failure) is due to their own actions (Robbins, 1989). McClelland (1961) identified the entrepreneur as an individual who was willing to accept risk, had a high achievement need and sought self realization to action.

Although McClelland (1966 cited in Larrain, 1989, p. 94) does not deny the importance of 'external factors' and objective conditions in the process of development, he was interested in the values and motives of men that lead them to exploit opportunities, to take advantage of favorable trade conditions; in short, to shape their own destiny. McClelland explicitly rejects the 'born not made' model and argues that this motivation to do well is not hereditary or innate but that children acquire it early in life (Larrain, 1989).

Other studies have confirmed McClelland's thesis that the need to achieve is a key factor in successful entrepreneurship (Ahmed, 1985; Cromie, 1987a; Lachman, 1982). In a study using Xhosa businessmen, Van der Merwe (1976) reported that the degree of achievement motivation in a group of 50 entrepreneurs was, at a statistically significant level, stronger than a control group of 50 teachers (cited in Mahadea, 1992). Mahadea (1992) found that nAch was a significant factor in predicting entrepreneurial success of indigenous entrepreneurs in the former Republic of Transkei, while Van Daalen and Van Niekerk (1989) found no significant relationship between achievement motivation and entrepreneurial success across a sample of 100 small business entrepreneurs from the former Republic of Transkei. The results of a University of Oregan study on entrepreneurs found that nAch in not the most important variable for predicting likelihood of starting a business (Hull, Bosley & Udell, 1980). The need for achievement is however common to many individuals and therefore does not necessarily predict an entrepreneurial tendency (Sexton & Bowman, 1985). McClelland's theory consequently fails to prove that people with a high need for achievement will necessarily choose to become entrepreneurs, rather than other occupations which might conceivably also attract those who have a high level of nAch.

Locus of control

A high internal locus of control has been closely related to entrepreneurship (Burns & Dewhurst, 1989; Bygrave, 1994; Venkatapathy, 1984; Welsch & Young, 1984). It has been used to distinguish between entrepreneurs and managers (Cromie, 1987a; Cromie & Johns, 1983), and entrepreneurs and students (Van Daalen & Van Niekerk, 1989). Even though some researchers (Hull et al., 1980) concluded that internality is not a prerequisite to entrepreneurship, other investigators strongly contend the opposite. Those people who believe that they control their destinies are labelled internals, whereas those who see their lives as being controlled by outside forces, have been labelled externals (Rotter, 1966). An individuals' 'Locus of Control' is the degree to which they believe they are masters of their own fate (Robbins, 1989). Pandey and Tewary (1979) provide empirical evidence that people with high internal scores on Rotter's locus of control scale are more likely to be successful entrepreneurs. Cromie (1987b), using the Rotters internal-external scale on a group of male and female entrepreneurs, found that they scored remarkable similarly. Internals are less likely to let external events dominate their lives and will tend to be proactive rather than reactive in coping with their environment.

Venkatapathy (1984) reviewed a number of articles on locus of control and concluded that the findings generally suggested that internal locus of control is one of the important characteristics that contribute to the

making of entrepreneurs. Not all research however supports the link between entrepreneurship and locus of control. In a study on founders of businesses Begley and Boyd (1987b) found no significant difference between founders and non-founders of small businesses. Locus of control is also not exclusive to entrepreneurs as it has been identified in successful managers (Sexton & Bowman, 1985).

Self-confidence

Relating to the concept of locus of control is the idea that entrepreneurs have a high level of self-confidence. This self-confidence, and a strong belief that the new product, service, idea, or approach they are proposing has merit, is what keeps the entrepreneur going despite hostility and criticism (Tropman & Morningstar, 1989). Swayne and Tucker (1973 cited in Welsch & Young, 1982) emphasize the importance of a positive attitude and self-confidence as components in the personalities of successful entrepreneurs. Even though self confidence has been identified as a characteristic common entrepreneurs, it does not distinguish entrepreneurs from other groups (McClelland, 1987).

Risk-taking

Another important aspect of entrepreneurship has been its association with a propensity to take greater risks (Burns & Dewhurst, 1989; Dickson & Giglierano, 1986; Tropman & Morningstar, 1989). Risk-taking is defined as the perceived probability of receiving the rewards (penalties) associated with the success (failure) of a proposed situation (Brockhaus, 1980b). Palmer (1971) noted that the common element in the many definitions of entrepreneurship is an ability to measure and take calculated risks. Furthermore, the successful entrepreneur was stated as the individual who could correctly interpret the risk situation and then determine policies which would minimize the risks involved, given a particular goal aspiration (Palmer, 1971). Some of the risks taken include financial, career, family, social, and psychological risks (Burch, 1986). The high need for achievement mentioned before has also been associated with a preference for moderate risk-taking (McClelland & Winter, 1967). The motivation to undertake a task was, according to Atkinson (1957), influenced by an individual's motivations to succeed and to avoid failure. Other research (Hornaday, 1982) has also indicated that moderate propensity to take risks or an ability to take calculated risks are traits necessary for success in starting a new venture (cited in Dickson & Giglierano, 1986).

Although the characteristic of risk-taking is often attributed to entrepreneurs, the overall evidence suggests that entrepreneurs are moderate risk-takers and do not significantly differ from managers (Brockhaus, 1980b; Sexton & Bowman, 1985), or the general population (Brockhaus, 1987) in the amount of perceived risk they will bear. Swayne and Tucker (1973 cited in Welsch & Young, 1984) suggest that entrepreneur are risk-neutral to risk-adverse, while Burns and Dewhurst (1989) found that many entrepreneurs bear risk grudgingly and only after they have made valid attempts to get the capital sources and resource providers to bear the risk. This contradiction may be explained by viewing entrepreneurs as capable risk managers whose abilities define what others might view as high risk situations (Amit, Glosten & Muller, 1993). If entrepreneurs have a strong belief in their ability to achieve their goal, the entrepreneurs perceived possibility of failure will be relatively

low and therefore their perceived risk level will be low (Amit et al., 1993). It would appear that the measurement of risk-taking propensity is not an accurate way of identifying entrepreneurs, whose risk-taking propensity appears to vary widely according to the situation (Brockhaus, 1987).

Tolerance of ambiguity

Schere (1982) and Sexton and Bowman (1985) shifted the focus from risk-taking by indicating that entrepreneurs have a significantly greater capacity to tolerate ambiguity than managers. This is a dimension representing the degree to which an individual is able to tolerate lack of clarity in a situation or in a stimulus (Reber, 1985). Entrepreneurs, according to Tropman and Morningstar (1989), are not only less affected by ambiguous situations, but are capable of exploiting it and turning it to their own advantage. Mitton (1989) stated that although entrepreneurs eagerly undertake the unknown (by willingly seeking out and managing uncertainty) they are not risk takers but risk avoiders (by defining their objectives, strategy, and mix of resources to limit risk).

Flexibility

Entrepreneurs have been regarded as flexible (Tropman & Morningstar, 1989). Flexibility is regarded as a general adaptability, that is, the ability to adjust readily from one situation to another (Louw, 1975). In uncertain environments the markets and systems change rapidly requiring a business to change and adapt to the new conditions. The entrepreneur's ideas will also need to adjust over time (Tropman & Morningstar, 1989).

Persistence and determination

Entrepreneurs have been described as persistent in that they can keep at something despite setbacks (Tropman & Morningstar, 1989). This determination is defined by Reber (1985) as a personality characteristic that is characterised by a tendency to push onward toward one's goals despite barriers and hardships. Entrepreneurs make a total commitment to their cause and resist dissipating their energies on side issues that could detract them from their goals (Mitton, 1989). Mitton (1989) continues by writing that entrepreneurs persist with a sense of urgency and drive that borders on the obsessive (they are impatient to start, anxious to compete, eager to confront, insensitive to failure, and ready to overcome any obstacles in the way of their goals).

Adaptation-innovation

Entrepreneurs are able to monitor the environment and they are open to adopting the innovation necessary to adapt their organisation to changes in the environment (Welsch & Young, 1982). Kirton (1976) contends that individuals can be located on a continuum ranging from an ability to do things better, to an ability to do things differently, and the ends of the continuum are labelled adaptive and innovative, respectively. It is further contended by Kirton (1976) that adaptation-innovation is a basic dimension of personality relevant to the analysis of organisational change, in that some people characteristically adapt while some characteristically innovate. It is argued that the more the structure surrounding a problem is incorporated within and treated as part of the problem, the more any solution is likely to be radical and innovative (i.e. doing things differently).

Although innovative behavior has been linked closely to entrepreneurship in the economic literature (Drucker, 1985), Van Daalen and Van Niekerk (1990) could trace only two studies in the literature that specifically relate to Kirton's Adaptation-Innovation (A-I) measure to entrepreneurship. In Van Daalen and Van Niekerk's (1990) research, they found that a group of Black South African entrepreneurs scores on the Kirton A-I measure were related to their entrepreneurial inclination.

Other traits

Other writers have put forward additional personality traits to explain enterprising or entrepreneurial behaviour. These include 'anxiety or neuroticism' (Lynn, 1969), 'leadership aspirations' (Hornaday & Bunker, 1970), high need for autonomy, dominance, independence, and a capacity for endurance (Low & MacMillan, 1988; Sexton & Bowman, 1985).

This trait theory has far reaching implications for programs designed to stimulate entrepreneurship and economic growth. Insofar as psychological forces are the major factors determining economic evolution, and to the extent that the resulting personalty traits are formed in early childhood and not particularly malleable, the possibilities for encouraging development would appear extremely limited when viewed from this standpoint (Hart, 1972).

While the trait approach to predicting entrepreneurship has provided some important contributions it has also been widely criticized. Empirical research (Brockhaus, 1980a; Brockhaus & Nord, 1979) has found that when certain psychological traits were carefully evaluated, it was not possible to differentiate entrepreneurs from managers or from the general population based on the entrepreneurs' supposed possession of such traits. It is also a passive approach that does not take into consideration competencies (those skills which you could improve in order to perform better) or the external environment which is subject to manipulation and influence (Tropman & Morningstar, 1989). Robinson, Stimpson, Huefner and Hunt (1991) conclude from their attitude research that entrepreneurial characteristics are not stable, but rather are dynamic across time and/or situations. The research does however differentiate between entrepreneurs and non-entrepreneurs regardless of the particular stage in their career (Robinson et al., 1991).

In a recent review of the person-situation debate, Kenrick and Funder (1988) noted that systematic sources of judgement bias, systematic effects of situations and systematic interactions between persons and situations must be explicitly dealt with before we can predict from trait measurement. Recent emphasis on interactive research in human behaviour has indicated the need for theoretical models that both influence and are influenced by activities in the environment - that is, that are interactive (Robinson et al., 1991, p. 15). An assessment of both person and situation variables should therefore, enable the psychologist to predict behaviour with greater accuracy. Shaver and Scott (1991) argue that a comprehensive psychological portrait of new venture creation will need to consider general orienting dispositions, motivation and personal motives.

2.10 Understanding entrepreneurship from a behavioural approach

Stevenson and Gumpert (1985) reject the idea of entrepreneurship as an economic function, and the idea that it is possible to identify the personal characteristics of entrepreneurs. Gartner (1989b) also argues that the trait approach has been unfruitful and that behavioural approaches will be a more productive perspective for researching entrepreneurship. Because of the limitations of the purely trait approach to describing the entrepreneur, it was expected that the behavioural approach would provide more definitive answers about the nature of entrepreneurship, and if successful, would have practical implications for promoting and training entrepreneurs. The difference between the trait and behavioural approaches, in terms of application, lies in their underlying assumptions. If the trait research had been wholly successful, it would have provided a basis for identifying the 'right' person to take part in entrepreneurial activities. In contrast, if behavioural studies were to turn up critical behaviour determinants of entrepreneurship, it would then be possible to train people to become entrepreneurs. If specific behaviours could be used to identify entrepreneurs, then we could teach entrepreneurship and thereby expand the supply of entrepreneurs.

Theorists have pursued this idea of the entrepreneurial function and have tried to differentiate the entrepreneurial function from other more routine functions such as the managerial function (refer to Section 2.4). Gartner (1989b) argues for a behavioural approach that views the creation of an organisation as a contextual event, the outcome of many influences. He treats the organisation as the primary level of analysis and the individual is viewed in terms of activities undertaken to enable the organisation to come into existence. Research according to Gartner (1989b), should focus on what the entrepreneur does, and not who the entrepreneur is. Gartner (1989b), in identifying entrepreneurship as a behavioural phenomenon, argues that entrepreneurship ends when the creation stage of the organisation ends, and the entrepreneur takes on other roles at each subsequent stage of organisational development.

Gartner (1985, p. 699), in a review of literature, has summarized six common behaviours that an entrepreneur performs in order to create a new venture:

- the entrepreneur locates a business opportunity;
- the entrepreneur accumulates resources;
- the entrepreneur markets products and services;
- the entrepreneur produces the product;
- the entrepreneur builds an organisation; and
- the entrepreneur responds to government and society.

While Gartner (1985, 1989b) identified the functions performed by the entrepreneur, Stevenson and Gumpert (1985) argue that entrepreneurship is an approach to management. This approach is defined by Burns and Dewhurst (1989) as the relentless pursuit of opportunity without regard to resources currently controlled. They conceive of a spectrum of business behaviour (Figure 2) which ranges from entrepreneurial behaviour at one

extreme, personified in the form of the 'promoter', and administrative behaviour at the other extreme, individuated by the term 'trustee' (Chell, Haworth & Brearley, 1991, p. 58).

Figure 2. Entrepreneurial management style.

	'PROMOTER'	'TRUSTEE'
	← Entrepreneurial domain →	
		← Administrative domain →
Strategic orientation	Opportunity driven	Resource driven
Commitment to opportunity	Revolutionary - of short duration	Evolutionary - of long duration
Commitment of resources	Multi-staged with minimal commitment at each stage	Single-staged with complete commitment upon decision
Control of resources	Episodic use or rent of required resources	Ownership or employment of required resources
Management structure	Flat with multiple informal networks	Formalized hierarchy
Reward philosophy	Value driven, performance based, team oriented	Security driven, resource based, promotion oriented

(Chell et al., 1991, p. 59)

The promoter has the confidence in his or her abilities to seize opportunities identified regardless of the resources under their current control, whereas the trustee emphasizes the efficient use of existing resources. As managers behaviour moves towards the promoter end of the scale they become more entrepreneurial, and as it move towards the trustee end of the scale they become less so (Stevenson & Gumpert, 1985). There are six dimensions of business practice by which the two contrasting styles of management are elucidated. These dimensions are:

- **Strategic orientation:** The entrepreneur-promoter is oriented towards the pursuit of opportunity, whereas the administrator-trustee is preoccupied with the resources currently controlled. Much of the force to the

trusteeship orientation arises out of organisational demands. The opportunity focus of the entrepreneur is a function of the changing environment.

- **Commitment to opportunity:** Where the promoter is committed to action, doubt remains about the durability of the commitment. The trustee is slow to act, but the commitment is durable. There are obvious advantages in coping with a rapidly changing environment when the commitment can be made quickly and dropped just as quickly.

- **Commitment of resources:** The entrepreneur is known for doing more with less. Many entrepreneurs start the pursuit of an opportunity with no resources other than the confidence that they have identifies an opportunity. The administrator-trustees have as their major preoccupation and as the source of their personal rewards the effective administration of the resources that they currently control. The result is a very different process by which resources are acquired from others.

- **Control of resources:** The entrepreneur-promoter is often horrified at overheads and the encumbrances that resources used in the business imply. The trustee-administrator is often compensated on the basis of the amount of assets under his or her management and the number of people employed. These are totally different attitudes and responsive to very differing measurement schemes.

- **Concept of management structure:** The entrepreneur-promoter has the desire to keep in touch with all the key players and to be able personally to sell the concepts and involvement, and to provide personal payoffs. The trustee-administrator often views organisations more formally, where responsibilities and authority should be well defined.

- **Compensation reward systems:** Entrepreneurial organisations base compensation on value creation and on team performance, while administrative organisations base compensation on individual responsibility levels (i.e. assets or resources under control) and on performance relative to short-term accounting targets, (i.e. profits or return on assets) and rely heavily on promotion as a means of reward (Burns and Dewhurst, 1989).

Each behaviour mode discussed has its place, and the degree to which a particular management style or process is appropriate will depend heavily on the company, the people who work there, and the demands of the external environment. Given these behavioural perspectives on the entrepreneur, it is argued that we could single out individuals who are capable of carrying out entrepreneurial activities, and furthermore we could teach people the skills and induce the motivations for them to behave in an entrepreneurial manner (Leibenstein, 1987). Most research has focused on motivation and achievement training techniques (Clark et al., 1984). For the most part, these studies have dealt with entrepreneurs already in business, and their goal has been to study the effectiveness of educational programs in making business owners more competent managers.

After a review of entrepreneurial selection and training studies, Leibenstein (1987) states that it is clear that an individual's motivation towards undertaking entrepreneurial activity is a major element. Leibenstein (1987) goes on to state that the research associated with need achievement theory indicates that it is possible to measure the varying strengths of entrepreneurial motivations in individuals, and that such qualities can be augmented through training. Garnier and Gasse (1990) found that an entrepreneurship course encouraged development in entrepreneurship, but they could not concretely evaluate the extent of its influence. Clark et al. (1984) and Coulton (1978) conclude from their research that while cause and effect cannot be demonstrated, they do claim that a relationship exists between entrepreneurial education and new venture creation.

Covin and Slevin (1991) have extended Stevenson and Gumpert's argument that entrepreneurship is an approach to management, to state that the measurement of entrepreneurial style of firms will yield more reliable results than attempts to measure the entrepreneurial style of the individual. They define entrepreneurship style as having three dimensions: risk-taking, innovation and proactiveness, and show how it can be related to organisational structure and performance (Chell et al., 1991). Their study indicates the importance of taking a contingency approach to understanding under what conditions entrepreneurial behaviour is most effective.

2.11 The contingency approach

It became increasingly clear to those studying entrepreneurship that the predicting of entrepreneurship success was more complex than isolating the functions, traits or behavioural aspects. The failure to obtain consistent results let to a focus on situational influences. The contingency approach assumes that the behaviour of the entrepreneur is a function of various specifiable contextual variables (Van Daalen, Van Niekerk, Pottas, & Vermeulen, 1990). The first to use this approach was Fiedler (1967) who created a model to predict the effectiveness of certain combinations of leadership styles and situational favourability. In Fiedler's model, leadership depends on the situation at hand and "effective leadership is a joint function of leader characteristics and situational characteristics" (Landy, 1989, p. 508). Some of the research in this area is that of Miller and Friesen (1982), Miller (1983), and Miller and Toulouse (1986).

Miller and Friesen (1982) singled out product innovation as the primary measure of entrepreneurial activity. The scope of their research is limited to innovations in product lines, product designs, and services offered (Miller & Friesen, 1982). Miller and Friesen distinguish between entrepreneurial and conservative firms. Entrepreneurial firms identify innovation as a natural state of affairs. These firms develop a competitive strategy aimed at making dramatic innovations as a matter of routine and take concomitant risks. The conservative firm innovates when challenged. The model predicts that innovation will not take place in conservative firms unless: (a) there are serious challenges, threats, or instabilities in them; (b) there is information about these challenges brought to key decision makers by effective scanning and control systems and; (c) structural, technocratic, and financial resources are adequate for innovation (Miller & Friesen, 1982). The contextual variables selected for distinguishing between the two types of firm were the environment, the firm's information processing ability, organisational structure, and decision-making processes. Miller and

Friesen (1982) conclude by stating that the determinants of product innovation in firms are to a very great extent a function of the strategy that is being pursued, and that to understand the relationship among innovation, structure and environment, it may be necessary to study managerial motives, ideologies, and goals.

Miller (1983) identifies a strong tendency to identify entrepreneurship with a dominant organisational personality, generally an independent minded owner-manager who makes the strategic decisions for his or her firm. In Miller's (1983) research, the focus was on the behaviour of the entrepreneur. This behaviour was identified in terms of the organisational contexts in which it was performed. The entrepreneurial role stressed by Schumpeter (1934) is socially vital but it can, according to Miller (1983), be performed by entire organisations which are decentralized, and easily exceed or even circumvent the contributions of one central actor. Miller (1983) identifies entrepreneurship as being a characteristic of the firm, rather than any independent actor.

Miller's argues that with the growth and complexification of organisations, there is continually a need for organisational renewal, innovation, constructive risk-taking, and the conceptualisation and pursuit of new opportunities, a pursuit that often goes beyond the efforts of one key manager. Miller (1983) therefore argues that the correlates of entrepreneurship vary in a systematic and logical way from one type of firm to another. Miller (1983) distinguishes between three different types of firm.

Simple firms

Simple firms are those which pursue Mintzberg's (1973) 'entrepreneurial' mode of strategy making, and possess Mintzberg's (1979) 'simple' structure. They are small firms which operate in hostile and competitive environments and their power is centralized at the top. The owner-manager dominates the decision-making processes in the firm. There is expected to be a leader imperative that drives entrepreneurship because the orientation of the firm is tied so closely to one central actor. Three prime factors (the personalty, the power and the store of knowledge of the leader), all of them leadership-related, were found to determine the level of entrepreneurship (Miller, 1983). Miller's (1983) research results indicated that the most critical factor in determining entrepreneurship were the personality characteristics of the leader. In fact, Miller found that personality far overrode the impact of the environment, the structure and the decision making factors. Miller (1983) concludes by stating that for entrepreneurship to be present in a simple firm, one needs an entrepreneur.

Planning firms

Planning firms correlate with Mintzberg's (1973) 'planning mode' of strategy making, and possess Mintzberg's (1979) 'machine beurocracy' structure. These firms are bigger and much more highly differentiated in terms of organisational structure and internal decision processes. The objective of planning firms is smooth, efficient, and regular functioning through the use of formal controls and plans (Miller, 1983). Entrepreneurial activity depends upon internal initiative which comes largely from the product-market strategy and personality of the leader (Miller, 1983).

Organic firms

Organic firms conform to Mintzberg's (1973) 'adaptive mode' of strategy making and possess Mintzberg's (1979) 'adhocracy' structure. These firms are much more oriented towards their environment and attempts to develop the best plan from among different courses of action in order to meet and exploit external challenges (Miller, 1983). Organic firms strive to be adaptive to their environments, emphasizing expertise-based power and open communication. For entrepreneurship to occur, an environmental-structural imperative appears to be necessary. This indicates that the firms tend to be entrepreneurial according to the demands of their environments and the capacities of their structures.

Following Miller (1983), Miller and Toulouse (1986) explored the relationship between the personalty of the chief executive and the strategy and structure of the firm. Three personality dimensions were examined: flexibility, need for achievement, and locus of control. Their findings suggest a strong relationship between personalty, strategy and structure. Smaller firms were low on structural factors and formal planning procedures, and they had a chief executive who was highly flexible. Larger firms were found to have long-term planning and delegation, a strategy of product market innovation, and leadership with a high internal locus of control. Need for achievement, on the other hand, was found to be correlated with a market differentiation strategy: a proactive and analytical decision-making style and a centralized bureaucratic organisational structure (Chell et al., 1991).

2.12 Summary and synthesis

In reviewing the literature it becomes apparent that there are a number of influencing factors that must be considered if entrepreneurship is to be adequately described or understood. The entrepreneurial process is influenced by a variety of factors: environmental, organisational, personal and sociological. Entrepreneurship occurs within an environment, an environment that has important consequences for the way in which entrepreneurship occurs and its consequent contribution towards (or destruction of) the economic system of a country. Strategies open to the policy makers have an important affect on the promotion of specific types of entrepreneurship. Not only the external environment, but the organisation that is created have important effects on entrepreneurship. Entrepreneurship it intimately connected to small business development, but the idea of a small business entrepreneur remains vague and ill defined.

In attempts at describing entrepreneurship, three prominent approaches were identified. The first of these was aimed at describing the entrepreneur in terms of the functions that he or she performed. Some of the more important functions that were identified concerned managerial competence, risk-taking in the face of uncertainty and an innovative function. Anyone who performed these functions may be labelled an entrepreneur.

The question then arose as to the centrality of the individual in performing these functions, and so an attempt was made to describe the entrepreneur by using psychological characteristics. A wide range of psychological characteristics were identified, characteristics such as: a high need for achievement; an internal locus of control;

a higher level of risk-taking and tolerance of ambiguity; self-confidence; as well as persistence and determination.

Because of the limitations of this trait approach researchers have focused on the behaviour of the entrepreneur. The behavioural approach aimed to differentiate between the behaviour of the entrepreneur and behaviour of other groups in society, most notably managers. The critical aspects of this approach were the incumbent's orientation towards opportunities, resources, organisational structure and reward. The variation in management style was conceived of as a continuum ranging from the entrepreneurial at one extreme to the administrative at the other extreme. Despite the criticisms of the behavioural approach of the trait approach, implicit in the behavioural approach are a number of personality characteristics (e.g. opportunistic tendency).

A move towards the measurement of the entrepreneurial style of the firm was seen as a more reliable approach to identifying and measuring entrepreneurship than either the trait or behavioural approaches. These studies indicated the importance of using a contingency approach to understanding under what conditions entrepreneurial behaviour is most effective. The contingency approach assumes that the behaviour associated with the entrepreneurial firm, or the entrepreneur, is a function of various contextual variables. Miller (1983) distinguishes between entrepreneurial and conservative firms based on contextual variables, but argues that it is necessary to take into consideration factors such as managerial motives, ideologies and goals.

These approaches used to research entrepreneurship are not all contradictory. They may be viewed as different techniques and perspectives from which researchers have investigated the same phenomenon. All these approaches make valuable contributions towards understanding entrepreneurship, and their contributions should be acknowledged. This research project, however, focuses on small business entrepreneurship and the research is conducted from a psychological perspective.

2.13 A proposed framework for researching small business entrepreneurship

Given the complex and multidimensional aspect of entrepreneurship, it is important that a comprehensive research approach be used in order to develop a more holistic picture of its processes and influencing factors. Much past research has been unidimensional, focusing on a single aspect of entrepreneurship and ignoring the effects of a variety of other important factors. There is a growing awareness that the process of starting a business is not a single well-worn route marched along again and again by identical entrepreneurs (Hartman, 1983) and the uniqueness of the entrepreneurial event must be considered in determining the research technique.

Bygrave (1989) proposes that rather than reducing problems to neat constituents (i.e. reductionist techniques such as physics), we should look at the whole (i.e. case studies) to better understand entrepreneurship. The heart of the entrepreneurial process, argues Bygrave (1989), will be found in the descriptive background of the event, requiring exploratory or grounded research into all aspects of the process. It is important that the entrepreneurial paradigm focuses on its needs as an infant paradigm that will allow it to develop, needs such as

detailed descriptive or phenomenological studies (Bygrave, 1989). Since it is clear that a unidimensional approach to the study of entrepreneurship is inadequate, then it is essential that the factors affecting entrepreneurship be identified. Moore's (1986) model (cited in Bygrave, 1989) provides a framework of the entrepreneurial process (refer to Section 2.2 and Figure 1).

From Moore's framework four major factors that need to be considered in researching this process can be identified. Research will have to take into consideration the following:

- the psychological characteristics of the entrepreneur: the individual;
- environmental factors;
- characteristics of the organisation created; and
- sociological factors.

The individual

Some of the most important individual factors to investigate are the entrepreneurs' personality characteristics, including their motives. According to Miller (1983), personality far overrides the impact of the environment, structural and decision-making factors in determining entrepreneurship in simple firms. Entrepreneurship in these small businesses therefore requires an entrepreneur: an individual with unique personality characteristics. These personality characteristics need to be investigated to determine their relevance to the entrepreneurial process.

The competencies (skills and knowledge) of the entrepreneur are also important. Biographical information concerning the entrepreneur's education and experience can provide qualitative information concerning the individual's background and skills.

The environment

Those relatively fixed conditions imposed on the new venture from without are called environmental variables and relate to the context in which the individual finds him or herself, that leads or favours small business entrepreneurship (Tropman & Morningstar, 1989). It is clear that entrepreneurs do not operate in a vacuum but respond to their environment. Supportive environments encourage entrepreneurship and push and pull factors are present in many research studies. It is from this environment that ideas and business opportunities are identified. Consequently, the psychological perspective should consider how that external environment affects the entrepreneur.

The contingency approach argues that the behaviour of the entrepreneur is a function of various specifiable contextual variables (Van Daalen et al., 1990), and that cognisance needs be taken of these contextual variables if entrepreneurship is to be comprehensively understood. This research framework investigates entrepreneurship in a specific environment (the small business environment), and more specifically it investigates entrepreneurship in a particular type of small business (the simple firm). Bem and Allen (1974)

argue that the classification of situations must be an integral part of any assessment procedure; moreover they argue that such classification will have to be in terms of the individual's own phenomenology, not the investigator's.

The organisation created

Much research has neglected to comment on or even communicate certain characteristics of the organisation on which they focused (Gartner, 1985). This occurs because many researchers assume firstly that all entrepreneurs are virtually alike and that they go through the same process to create their ventures resulting in the organisations being of no interest in themselves (Gartner, 1985). Not all small businesses are the same, and so knowledge about the organisational characteristics (i.e. structure, strategy) which may affect the entrepreneur or the entrepreneurial process are important to the investigation. Miller (1983) describes the unique characteristics of a simple firm, and proposes that for entrepreneurship to be present, an entrepreneur is required. The type of organisation will also determine what type of entrepreneurial activity is present and by focusing on a firm with specific characteristics (i.e. simple firms), it is expected that the results will increase in validity. The individual owner-manager has been intimately linked to the strategic behaviour of a simple firm by Miller (1983), and, in fact, the behaviour of the owner-manager is often identified as being indistinguishable from that of the firm.

Sociological Factors

A wide range of sociological factors affect an individual's behaviour over time. Some of the key sociological factors identified as affecting the entrepreneur are: the extent and characteristics of their personal and professional networks, family influences (i.e. parents, siblings), and the presence and influences of role models (i.e. family, friends, acquaintances). These sociological factors affect the motives and behaviour of the individual and their influence should be assessed (refer to Section 2.5).

All these factors need to be taken into consideration when investigating entrepreneurship. Moreover, there is also a need to determine the extent to which the various factors influence each other, and their relative importance to the entrepreneurial process.

CHAPTER 3 METHODOLOGY

3.1 Theoretical orientation

As interest in entrepreneurship and the small business sector has increased, there has been a corresponding increase in research on the small business entrepreneur. These studies have generally been carried out in small business located in widely varying industries and different geographic settings (Wortman, 1987); and in many cases they overlap with those characteristics of owner-managers of small businesses. Sample sizes of research practices have varied widely from very large to very small and the primary research method has been mail questionnaires and interviews (Wortman, 1987).

Given the holistic, dynamic, unique, and potentially discontinuous nature of entrepreneurial activities and processes, it has been recommended by Hofer and Bygrave (1992) that accurate, precise, qualitative data that is rich in its descriptive characterization of the situation and the phenomenon involved be collected. Serious questions could and should be raised about studies of entrepreneurs made substantially after the entrepreneurial phase of the actual creation or development of the venture (Hofer & Bygrave, 1992). It is not at all clear that more easily gathered demographic data on the entrepreneur will capture these phenomenon, or whether any indirect measures of these phenomenon would be sufficiently rich to describe or predict the phenomenon themselves, especially if gathered substantially after the fact (Hofer & Bygrave, 1992).

As a result of this requirement for an in-depth qualitative research methodology, the researcher used qualitative rather than quantitative methods of investigation. Traditional quantitative approaches are based on positivistic principles drawn from natural scientific premises and central to such quantitative approaches is the verification of a pre-established hypothesis. Unlike qualitative procedures, quantitative research approaches use methods of data collection and analysis that impose upon the research process a pre-determined structure delineated by the requirements of the initial hypothesis (Taylor, 1984). Quantitative research is by nature objective, deductive and is directed towards a means-ends analysis. The quantitative approach is characteristically based on the tenets of induction, holism and subjectivism (Ferreira in Mouton & Marais, 1988).

Inductive research, by contrast, extrapolates directly from the data rather than imposing preexisting expectations on the research subject. It aims to establish generalised patterns from specific experiences. The qualitative approach was used because it is oriented towards elucidating the subjective meaning of human phenomenon. The qualitative approach affords an insight into the individual's feelings, thoughts, attitudes, beliefs and perceptions on a particular experience (Taylor, 1984). In this research project the researcher focused on the respondents' lived experiences. From the self-description and description of the respondents' experiences emerge general patterns, themes and categories of meaning.

The present study aimed to describe and interpret the experiences of a group of small business owner-managers. The essence of the respondents' thoughts, feelings, attitudes and beliefs pertaining to their experiences of new

venture creation and development were examined, and the research also investigated broad aspects of the respondents' psychological characteristics. Because of the exploratory nature of the research it was decided to collect detailed information about the personal experiences of a small number of small business entrepreneurs and other small business owners. A greater understanding of the dynamics of entrepreneurs and small business owners can be obtained by conducting a qualitative rather than a quantitative analysis.

The theoretical framework described in Section 2.13 of the literature review was used to guide the research. The framework identified four factors that need to be investigated in order for a comprehensive coverage of the subject matter to be achieved: the external environment, sociological factors, the individual, and the business.

3.1.1 Research focus

While entrepreneurs have been categorized by Amit, Glosten and Muller (1993) into those who are profit-seeking, either working individually or in a corporate setting, and those who are not profit-seeking, working in charitable, government and other not-for-profit organisations, this research project focuses exclusively on the small business environment in its investigation of entrepreneurship.

The first element of this investigation into small business entrepreneurship was to focus on the person. Miller (1983) argued that psychological research of small businesses (simple firms) will benefit most by focusing on the individual, his/her psychological characteristics and behaviours. This focus on the person as the unit of analysis should not be construed as equivalent to a search for personalogical variables that, regardless of the situation, produce behaviours that lead to the creation of new ventures. While using a psychological approach that emphasises the focus on the individual, the research, in accordance with Shaver and Scott (1991) also investigated the influence of the environment on that individual. Woodworth (1938), described the relationship between the environment and the person by noting that the environment was the source of stimuli impinging on the organism, which then produces a measurable response (cited in Shaver & Scott, 1991).

3.2 Methodology

3.2.1 Procedure for data collection

Qualitative research has no specific method of data collection or analysis. The basic technique of this type of research is not to develop a particular methodology which is then imposed everywhere, but rather to develop appropriate methods for each unique phenomenon. The present research procedures were largely developed in accordance with the requirements of the phenomenon being examined. Because of the uniqueness of the entrepreneurial event, the operative word in the research undertaken was "to describe".

This descriptive research project falls under the broad term of survey research. Survey research is a term that encompasses a variety of interpretations as the nature of survey research is such that it may take many forms

(Tull & Albaum, 1973). The information collected by survey research can fall into one or more of four broad based categories of questions namely: the prevalence of attitudes, beliefs and behaviour; changes in these over time; differences between groups of people in terms of their attitudes, beliefs and behaviour; and causal propositions about these attitudes, beliefs and behaviours (Weisberg, Krosnik & Bowen, 1989). In a survey, data are collected using questions asked in a personal interview, over the telephone or in a questionnaire.

This research collected information aimed at determining the prevalence of attitudes, beliefs and behaviour as well as determining the differences between the two groups of people in terms of their attitudes, beliefs and behaviours. In order to avoid the biases inherent in using one data collection technique, two complementary data collection techniques were used: qualitative (interviews), and quantitative (psychometric test) data collection techniques.

3.2.1.1 Sample

A purposive sample of 32 small business owner-managers drawn from all population groups situated within a coastal city in South Africa was used in the research project. Purposive sampling was used to collect the required number of respondents because of the situation faced of inadequate information about the general characteristics of the population under study in order to adequately identify the target population. Because of the unique aspects of the entrepreneurial process, it was suggested by Hofer and Bygrave (1992) that purposive sampling, stratified sampling or variable probability sampling should be among the more frequently used sampling techniques in the field, whereas simple random sampling should be among the least used techniques. This qualitative research, unlike certain quantitative procedures, was not intent upon establishing the sample as representative of a certain population so much as describing the general constructs typical of the phenomenon under study. The validity was established by the extent to which there was consensual validity with regard to the outcome of the research. External validity was achieved through intersubjective congruence rather than sample representation.

All 32 of the small businesses in the sample had the following characteristics:

- they fitted the definition of a small business as defined in Section 2.4 of the literature review;
- the business or the controlling businesses were situated in the coastal city's urban area;
- the businesses were all non-professional businesses (the owners did not necessarily require specialised education qualifications for owning and operating that particular business, such as pharmacists);
- the businesses had been operational for at least one year (used as an indicator of viability); and
- the power and decision making within the business was dominated by one or a few key individuals.

Differentiation between entrepreneurs and small business owners

In agreement with Drucker (1985) this research project did not identify every individual that started a small business as an entrepreneur, nor did it identify every small business that was started as an entrepreneurial

business. This research project argues for a differentiation between a small business and an entrepreneurial firm based on the innovative behaviour of the business. All 32 of the small businesses in the sample had the characteristics described in Section 3.2.1.1, but in order for any one of the small businesses in the sample to be considered an entrepreneurial firm, they had to display some form of innovative strategic behaviour. If any of the small businesses were identified as using one or more of the innovative approaches described by Schumpeter (1934), then that business was considered to be an entrepreneurial firm.

These five innovative practices described by Schumpeter (1934) are:

- the introduction of a new good (or an improvement in the quality of an existing good);
- the introduction of new methods of production;
- the opening of a new market (in particular an export market in a new territory);
- the conquest of a new source of supply of raw materials or half-manufactured goods; and
- the creation of new type of industrial organisation (in particular the formation of a trust or some other type of monopoly).

Two separate groups of small business owners and small business entrepreneurs were then established based on the innovative behaviour of the firm.

- **Small business owners:** These businesses not display any innovative behaviour, and they were not identified as innovative by any of the actual small business owner-managers.

- **Small business entrepreneurs:** These businesses, in contrast to the other group, displayed at least one of Schumpeter's (1934) innovative practices, as well as being identified as innovative by their owner-managers. Hereafter, small business entrepreneurs will be referred to as "entrepreneurs".

3.2.1.2 In-depth interview

The in-depth interviewing provided the researcher with the opportunity to investigate the respondents' subjective human experience (Taylor & Bogdan, 1984). A standard qualitative interviewing method was used for a dynamic exploration of the subjects' thoughts, feelings, and attitudes. In-depth interviewing was best suited as it allowed attitudes to be explored without the research design prompting and structuring the respondents' answers. The semi-structured non-directed interview was used because it promoted the spontaneous emergence of these thoughts and feelings and allowed for the researcher to best understand the respondent's lived experiences (Kruger, 1988).

In this research an interview guide based on the framework described in Section 2.13 was used to ensure that key topics were explored with all the respondents. Appendix 1 provides an outline of the questions used in the qualitative interview. The interview guide was not a structured schedule or protocol but rather served to list the

general areas that needed to be covered in the course of the interview (Taylor & Bogdan, 1984). The interview was conducted in an informal, flexible and non-directive manner with the interviewer attempting to influence the subjects' responses as little as possible. Probing techniques were used to encourage respondents' to communicate their attitudes and feelings in detail, as well as to clarify the interviewee's responses.

Subjects were encouraged to determine the sequence as well as to introduce new themes. In doing so the constructs were able to emerge through a thematic explorative technique within the interview rather than being predetermined by the researcher, allowing a free range of responses to be encouraged within the developed structure.

The researcher attempted to maximise reliability and validity throughout the interviews by minimizing the potential response effects (i.e. context, role-restricted, and responser effects) as listed by Dixon (1989). All 32 interviews were conducted by the researcher, and this helped in the creation of consistent response categories. All the interviews were conducted in private on the business premises, all were tape recorded and then transcribed. Anonymity and confidentiality of the respondents were assured.

3.2.1.3 Structured-Objective Rorschach Test

Quantitative data was obtained from 31 of the 32 respondents by the administration of the Structured-Objective Rorschach Test (SORT) (Human Sciences Research Council, 1975). One of the respondents failed to complete the test and so her test results were excluded. The SORT is based on the Rorschach test. By using the SORT the personality tendencies of the respondents' were assessed but not their cognitive aptitudes or acquired skill. The SORT gives an indication of temperament tendencies which are important for occupational success. It is consequently not a test for occupational aptitude or skill. An overview of the SORT can be found in Appendix 2.

Other instruments such as the 'Achievement Motivation Questionnaire' (Van Daalen & van Niekerk, 1989) and 'Furnham's Locus of Control Scale' (Van Daalen, Van Niekerk & Pottas, 1989) were considered but not chosen because they focused on specific personality traits. In addition, the SORT has been adapted to, and standardised for, South African conditions by the Institute for Psychometric and Edumetric Research of the Human Sciences Research Council (Louw, 1975). The SORT was used under the supervision of a registered psychologist who cross-checked the scoring and interpretation of the results. The results of the SORT were used to confirm and consolidate the interview data. The SORT was therefore completed after the qualitative interview data had been collected.

3.2.2 Data analysis

3.2.2.1 In-depth interview

The transcribed data analysis was performed using the systematic approach advocated by Taylor and Bogdan (1984), and Miles and Huberman (1984). Data analysis was performed as an ongoing process during and after the data collection phase. As noted by Taylor and Bogdan (1984), qualitative data analysis relies on the insight, intuition of the researcher as well as his or her familiarity with the data. This grounded theory approach is compatible with both the grounded theory approach and analytic induction (Taylor & Bogdan, 1984).

The first step the researcher took was to familiarise himself with the verbatim interviews, reading without bias or special attitude. The researcher placed himself in the subject's lived world, making it his own and viewing the description from this perspective. Rather than being concerned with the truth or falsity of the description, the researcher was concerned with the subjects lived reality, that is, the meanings of objects and facts for the subject arising out of various situations. Codes were developed from the research questions, key concepts, as well as the themes and patterns identified in the ongoing discovery phase. A code is an abbreviation applied to a segment of words - most often a sentence or paragraph of transcribed field notes (Miles & Huberman, 1984). These codes changed and developed as the field experiences continued: they were not static but evolved as the research progressed. During this discovery phase emerging themes and patterns were listed from the basic data. This technique of noting themes and patterns has been described by Miles and Huberman (1984) as a very productive analysis technique when the data overload is severe.

The researcher followed the advice of Miles and Huberman (1984, p. 216) who warn that "patterns need to be subjected to skepticism .... and to conceptual and empirical test". Finding themes and patterns was a relatively easy process as the "human mind finds patterns so quickly and easily that it needs no how-to advice" (Miles & Huberman, 1984, p. 216). What was however important was not only the identification of themes and patterns, but identifying further evidence for the same pattern while remaining open to any other disconfirming evidence.

Clustering was used to group similar data together into categories (Miles & Huberman, 1984). Employing a systematic approach to finding meaning in data, the twelve specific tactics described by Miles and Huberman (1984) were used. These systematic tactics for finding meaning are roughly arranged from the descriptive to the explanatory, and from the concrete to the more conceptual and abstract.

The data was interpreted in the context in which it was collected in order to increase the validity of the results. The data quality was assessed by checking for representativeness; checking for researcher effects on the site, and vice versa; and triangulation across data sources and methods. These checks also involved weighting the evidence and deciding which kinds of data were more valid. Looking at differences was also important for

determining the validity of the research results. Through contrasts and comparisons, checking the meaning of outliers and using extreme cases, conclusions concerning patterns were tested (Miles & Huberman, 1984). Explanations were assessed by ruling out spurious relations, through replication of findings, checking out rival explanations and looking for negative evidence.

3.2.2.2. Structured-Objective Rorschach Test

When scoring the SORT, a score was calculated for 25 traits. The interpretation of the SORT was done on the basis of these 25 traits (refer to Appendix 2 for the construction of the SORT and the 25 SORT traits). Is was important that SORT data, as in the case with data of any single test, were interpreted in the light of supplementary data, such as the data from the interviews.

3.2.2.3 Statistical analysis of the SORT

With the small sample size of the two groups, the statistical test that was most applicable was the t-test which was used to compare the differences between the means of the sample groups. The t distribution is a small-sample criterion for tests concerning the difference between two means (Freund & Williams, 1991). To use this criteria the assumption that the two sample groups had roughly the shape of normal distributions with equal variances. A computer statistical package (Statsgraphics) was used to compute the results of the t-test. A three way analysis of the results was undertaken, with entrepreneurs and small business owners being compared to each other as well as being compared to the general population.

It should be made clear that the results reported in this paper are not necessarily general to the population of small business entrepreneurs. This study group was not drawn as a sample of a broad population and thus, in a strict sense, relates only to those individuals studied. The researcher anticipates that, in spite of this limitation in the data base, the research may have validity with reference to the more general population of small business entrepreneurs. Further analysis using broader populations will permit more extensive examination of the results suggested and reported on in this research project.

CHAPTER 4 RESULTS

4.1 Demographics

The research respondents consisted of 15 small business owners and 17 small business entrepreneurs from all population groups who fulfilled the sample requirements stated in the methodology (refer to Section 3.2.1.1). The sample consisted of 16 male (six small business owners and nine entrepreneurs) and 16 female (nine small business owners and eight entrepreneurs) respondents; and the average age at which the entrepreneurs as well as the small business owners started their businesses was 31 years. Of the small business owners, 13 were married; whilst 12 of the entrepreneurs were married. Only two small business owners and two entrepreneurs were single, while three entrepreneurs were divorced or separated.

4.2 The business created

The factors of the small businesses that were investigated were divided into the following areas: the characteristics of the businesses, the type of business that was started, and the strategic behaviour of the business.

4.2.1 Structure

All the businesses were characterised by an informal management structure, little formal strategic planning and a short-range management perspective. They were all characterised by personalised management in that all the respondents participated in all aspects of the management of the business. Only three of the entrepreneurs had partners, while nine of the small business owners had partners. Of the small business owners with partners, in six out of the nine cases the spouse was the other partner in the business. The power within the business was centralized with the central actor unless there were partners (usually one, but never more than two). Even with partners (and especially with the spouse), one person was more influential in the decision making. The average number of employees ranged from four for the small business owners to six for the entrepreneurs.

4.2.2 Type

A wide range of business types were included in the sample (Table 3). There were two small business owners who inherited their businesses from family, six who purchased going concerns and seven who started new businesses. Only three entrepreneurs purchased going concerns while 14 started new businesses. At the time of conducting the research, the average length in operation of the businesses was five years for entrepreneurs and seven years for the small business owners.

Table 3. Profile of respondents by business types.

Category	E	SBO	Total
Retail	7	8	15
Manufacturing & retail	8	5	13
Service	1	1	2
Restaurant	1	1	2
	17	**15**	**32**

Given that there were no significant differences in the types of businesses that were started (Table 3) or in the business management structures, the strategic focus of the business was investigated and important differences between the two groups in terms of their strategic business focus were identified.

4.2.3 Strategic behaviour

Small business owners were more inclined to start a business in an area or industry that was perceived as more stable and predictable. Of the eight small business owners who had purchased going concerns, none of them had changed their strategic business orientation and the owners were content to make what was often described as 'an adequate living' from the going concern. These were considered stable businesses and were not considered to be innovative by any of the actual owners. The other seven small business owners also started their businesses in what was perceived by the owners as relatively stable or predictable environments. The small business owners' expressed need for security was an important factor affecting their business choice. Businesses ranged from franchise operations, where there was a high level of external support, to more independent retail operations.

The entrepreneurs were notably different in their business orientation. Of the 17 entrepreneurs, three purchased going concerns and 14 started new businesses. None of the three entrepreneurs who purchased going concerns continued the business as the previous owners: they changed the business orientation to focus on a particular market with a specific product or service (an example of this was one entrepreneur who purchased a general dealer, used the existing structure and premises but transformed the business to focus on a particular market, namely the high fashion clothing market). All the entrepreneurs focused on niche strategy, either in their ability to become more competitive or to avoid competition. None of them purchased or started franchise operations.

Innovation

The presence of innovative behaviour was essential for the label of entrepreneur to be given to a respondent in this study. All the participants that were labelled entrepreneurs were innovative in some aspect of their business. The ideas and opportunities behind the starting of entrepreneurial small businesses were either aimed

at creating something different thereby avoiding any direct competition, or to put one's business in a position where it could be more competitive than others in the same industry.

Although the ideal innovative behaviour is to start a business with a totally unique product or service, only three of the seventeen entrepreneurs started their business in this way. There were also three entrepreneurs who had changed an existing product to better suite the needs of their target population. There were five entrepreneurs who had come into contact with a similar product or service in another geographic area (three outside South Africa) and had identified the potential for starting a business in this area. They had subsequently set up similar businesses to capture the market in this area. These other six businesses were innovative in that they had identified and used a new technique: to either perform an existing service function, or to produced an existing product which would give them a competitive advantage in their particular industry.

Growth

It has been noted that many of the small business owners in this study purchased going concerns or took over family businesses and were content to make an 'adequate living from it'. This idea of an entrepreneurial growth perspective was therefore another area in which the entrepreneurs differed from the small business owners. While the majority of the small business owners goal was to establish a business that would provide for an adequate living, many of the entrepreneurs expresses their goals as a desire to grow the business, firstly in order to increase the chances of survival, but secondly to achieve their aims of success. Growth for the entrepreneurs was identified as a factor of success, a means by which their success could be measured. For many of the entrepreneurs, their businesses were constantly discussed in terms of the future. They were not happy or content with where they were, but were driven to expand and grow. Even though there was very little evidence of long term strategic planning, it was clear that they had some aspiration or 'vision' that they were working towards. The average number of years in which the entrepreneurial businesses were operating gives the indication that these businesses were relatively new, and this future orientation was for them very important.

Risk taking

There were a variety of risks identified in starting a business, and while the financial risks were easily identified (in the majority of the ventures, the individual placed a substantial portion of his or her savings or other personal resources at stake), there were reports of other significant risk types, such as the risk of leaving a secure position because of the difficulty of re-entry (especially in the current economic climate); family or social risks (the risks of losing significant others because of the commitments needed for the successful operation of the business); and risks to status (status amongst family and friends). All the respondents could identify risks that they had to take in order to start their businesses and so to differentiate between entrepreneurs and non-entrepreneurs on the risk that was taken was not possible. There were differences in the perception and attitudes of the respondents towards the risk and this is discussed later in the results (Section 4.3.4).

4.3 Individual psychological characteristics

A wide range of characteristics were used by the respondents in describing both their strengths and weaknesses. Some broad similarities and differences between entrepreneurs and small business owners were identified.

4.3.1 Motivational factors leading to self-employment

The interview results suggested that all the respondents started their businesses for a variety of different reasons. Individual respondents were prompted to give an explanation of their motive to start a business and in most cases there were multiple motives involved in the decision.

A total of eight response categories regarding the respondent's motives were established (Table 4): the need for greater autonomy and independence - the desire for freedom to control one's own affairs; the need for personal achievement - pleasure in generating resources and successfully launching an enterprise; greater economic potential - expectation of earning more money in self employment; to pursue an opportunity identified - followed through on a market opportunity identified in the environment; greater job satisfaction - the perception that self employment will result in greater job satisfaction; greater job security and/or employment - perceived threat to job security or the inability to find adequate paid employment; flexibility to pursue other personal goals - the flexibility afforded by self-employment that allows the individual to pursue other personal goals. These motives are not independent of each other but are linked to one other, causing a variety of different combinations of positive as well as negative motivations.

Table 4. Expressed motives of respondents.

Expressed Motives	E	SBO	Total
Need for greater autonomy & independence	15	9	24
Need for personal achievement	8	2	10
Greater economic potential	6	3	9
To pursue an opportunity identified	6	2	8
Greater job satisfaction	5	4	9
Greater job security and/or employment	5	12	17
Flexibility to pursue other personal goals	1	5	6
Other motives	2	2	4
	48	**39**	**87**

The expressed motive for greater autonomy and independence related to financial as well as managerial independence. Besides the financial aspect, it is an autonomous attitude in which one is (relatively) free of the influence of the judgements, opinions or beliefs of others in the running of one's business. Both entrepreneurs and small business owners reported the need for autonomy and independence as a prominent factor for starting

out on their own. This was the most prominent motive expressed by all but one of the entrepreneurs and by nine out of 15 small business owners. The following interview examples indicate the importance of personal autonomy and independence to the entrepreneurs.

> I was always looking for something to do on my own, to rely on my own abilities and not on somebody else's business success... when it came up I took it..... If I had been working for somebody I may have been retrenched, or the business may have gone bankrupt. Independence, the control of the business and therefore your own destiny is my basic motivation..... and this was the best way that I could do it. (Interview number four: Male entrepreneur of a manufacturing and retail business with 14 employees)

> I started that business to get that autonomy, that freedom to be able to do what I want, how I want without interference from partners or owners. I had experience in the field and saw an opportunity to start something unique in this town.... the opportunity was there and I decided to take it. (Interview number six: Male entrepreneur of a service based business with four employees)

> To be independent, and to be my own boss.... I wanted to control my own life, rather than be like the rest on them and go and get a 'traditional' women's job in a business and go nowhere. I needed to be able to do what I want and to get something out of it that was not possible as a female in the workplace. In this 'job' I am independent and rely on myself. I can go as far as I want and there is nothing that can stop me, besides my own talent and perseverance.... My boyfriend wants me to give it up, saying that he will pay for everything, but I like it like this, the independence that I have, especially the financial independence. (Interview number three: Female entrepreneur of a service based business with three employees)

Another important motive expressed by the entrepreneurs was a need for personal achievement. This motive was expressed by only two of the small business owners, but by eight of the entrepreneurs. This need for greater personal achievement was seldom reported as a sole motivator, but was identified concurrently with economic advancement and/or autonomy. This need for personal achievement was often related to the pursuit of an opportunity that had been identified in the environment, as illustrated by the following extracts from interviews.

> I decided that it was time to go out and get something for myself, so I thought about it and I saw that there was a demand for this type of business because there was nothing like this in this town. I also wanted to have something to show for what I have done in my life. If you work for somebody else, you have nothing to show for it in the end, while, when I am finished here I will have something to show for it. I want to be successful.... the demand that I saw really motivated me to start. It just

seemed to be the logical thing to do, and it was a welcomed change from the past. (Interview number 14: Male entrepreneur of a manufacturing and retail business with three employees)

I was working for a business that my parents had started. They then decided to get rid of one side of that business... I saw that as an opportunity to start a career on my own... I feel that I am on the right road, I am aiming for something bigger and I am on the way to achieving that. I want something to show for the effort that I have been going through. (Interview number 13: Male entrepreneur of a manufacturing and retail business with 15 employees).

It was something new and something unique for [this city] and I felt that it would be a great idea and work well. I had seen it in Cape Town and it was an opportunity that I just grabbed because I saw the potential for it in this area. I must admit I was thinking about the money... here was the opportunity for me to sell on a much larger scale and obviously to make more money. (Interview number seven: Female entrepreneur of a retail business with two employees).

A significant number of respondents claimed they had started their businesses because of various unsatisfactory experiences associated with being employees. These unsatisfactory experiences lead to the need for independence and enhanced self control in an attempt to increase their job satisfaction.

I did not enjoy the job that I was in and there was nowhere else that I could go....promotion was out of the question. I felt that I was being used because I was black as a sort of mascot so that the owner could get into the black market.... I had no say in how the shop should be run. I was there just to take orders. I wanted to run things my way, but it was out of the question. As soon as the opportunity was there I took it. (Interview number 25: Male entrepreneur of a retail business with five employees).

I was working in a factory, it was utterly boring and they were there just to control you....we were doing a day and a night shift, I really did not enjoy the job at all, there was nothing new in it. Each shift there were about 100 of us....in that environment you are nothing, you are a single person and you don't mean anything overall. It was really not what I planned to do with my life, I didn't enjoy the job and I didn't want to go anywhere in that business, so I decided to leave. I think its the need to be independent, to be able to decide for yourself what you are going to do with your life and not leave it in the hands of somebody else. (Interview number 29: Female entrepreneur of a manufacturing business with three employees)

Female respondents, especially the female entrepreneurs noted that an important factor was the wish to avoid female subordination within the domestic or work situation. Proprietorship offered a preferable alternative to either the dependent status of housewife or low status occupations. These women saw proprietorship as a means of attaining greater independence, self reliance and freedom from their previous positions.

> I had been working for a company for a year and a half and I was sick of working for a rotten boss...I needed to get out. It was something that I had to do, and I was getting tired of being at home and having such a structured life with husband etc....I got divorced when I started the business. I saw the opportunity and said that I could do it and so I took the chance. Its a great feeling knowing that you have created something and made a success all on your own. (Interview number 10: Female entrepreneur of a manufacturing business with three employees)

Reported job insecurity led to the need for greater independence and control over some respondents' lives. This job insecurity in some instances stemmed from their perception of an unstable, and unpredictable business environment in South Africa, thus posing a threat to their job security. Because of this insecurity, proprietorship was the only alternative that allowed them some control over their futures, resulting in job security.

> I was involved in the business as a part-time prospect. I felt that it would be good to be involved in something other than my job because of the poor economic and financial situation in the company that I was working for and the difficult prospect of finding another job if I lost this one.....I was then retrenched from a relatively stable position, and the part-time turned into a full time prospect..... I now an the last person that is going to be retrenched from this job and the control and flexible nature of the job is ideal. (Interview number 15: Male small business owner of a manufacturing business with six employees)

> Well basically, we could see the same thing happening in South Africa that had happened in the United Kingdom, and that was that the industry was beginning to shrink, and it got to a situation in the United Kingdom that no matter whatever the qualification that you have, the vacancies don't exist. I thought that if I was going to do anything it was to try in another field so that I wouldn't have to travel around as much, and there would be no possibility of being made redundant. There was a great opportunity to start something on my own. I knew the business well, and I had the drive and ambition to get on and do the job. I didn't want to have to rely on somebody else to stay employed or working and earning money until I was at the age when I could retire. (Interview number 12: Male entrepreneur of a retail business with two employees)

> I have a general dealer in Transkei, but I moved to [this city] because of the violence and problems in the homeland. I needed something that would not be affected by the politics or the violence. I owned a general dealer in the homeland but I decided to change to this shop because of the competition in the general dealers. (Interview number 11: Female entrepreneur of a manufacturing and retail business with two employees)

In many cases, there was little real choice; and starting or taking over a small business was the last resort because of the inability of obtaining adequate paid employment in the labour market. Sometimes the individual has no real choice because of their need to fulfill certain obligations making self-employment the only alternative. It was often the case that these respondents were in a position of unemployment or potential retrenchment and while in that position they had identified an opportunity for a small business. This was reported as a major motivator for small business owners (12) who saw the starting or taking over of a business as the only way in which they could fulfill their financial obligations, especially the support of family. With many more of the entrepreneurs than small business owners, the decision to move into self-employment was an active choice rather than a forced decision.

> When my father became ill I took over the shop. I took the business from my Dad, and it was already a going concern. It wasn't the choice of wanting to be a shopkeeper, I never had any other ideas, possibly I wanted to go on with my schooling.... I had no option, whether I liked to or not, it was a challenge to me, but being the eldest son of the family I had to take it over. I was not qualified in any way and it was the only thing that I could do, so I did it. The family was relying on me and it was the only way that I could fulfill the needs of the family. I didn't have any plans for my future, I really didn't want to desperately be anything else, so it was the only thing that I could really do. (Interview number 30: Male small business owner of a retail business with five employees)

> Family thought that it would be a good idea because I couldn't find a job, and they set it up for me. It was better than continually searching for a job. The reason for starting this specific business was money I suppose, but I didn't really choose this life for myself. Now that I am here I am happy, because I have a lot of freedom to run the business as I want to run it. (Interview number 19: Female small business owner of a retail business with four employees)

> I don't really know why I started it, I didn't have a choice really..... I just took it over, if I didn't I would have been out of work. I had been running the shop with my husband who also owned a factory that supplied the shop. It was decided to run them independently and my husband wanted to sell the shop.... At the time we had split up and I wanted to be independent, so it was the easiest thing to do. (Interview number 23: Female small business owner of a retail business with four employees)

> I was working for the business and it closed down or the owner was moving to Cape Town and so I was given first option in running it. I am paying the owner back slowly, but I am basically keeping the same line as before. I didn't want to look for a job, and as I was given the option to buy I took it. It was the only thing that I could have done. (Interview number 5: Female small business owner of a manufacturing and retail business with two employees)

Some of the respondents, especially small business owners, reported the need to be able to pursue other goals in their lives. These required a greater flexibility and control over one's life in order to deal with alternative roles, the most important of which was the role of parent. There were also other family needs that were motivators for the move to proprietorship.

> I wanted to be able to spend more time with my family.... It was the only way that I could try, that is by myself. I couldn't get what I wanted to from the job I had before, so when the option came up I took it and decided to start this business. (Interview number 17: Female small business owner of a retail business with one employee).

> We wanted to move to this area because of family..... I had a lot of family in this part of the world. We bought the business, expecting it to give us the flexibility that we so wanted.... Wanted own business to get away from the hassles in Johannesburg and needed something stable. (Interview number 22: Female small business owner of a manufacturing and retail business with 3 employees).

Resistance to geographic mobility was also linked to the need for greater autonomy and flexibility to deal with other roles. The majority of these roles concerned family support.

> I had just had a baby and the company that I was working for wanted me to go and work in another town... I was very reluctant to go and work in another town, with my family here, especially with my two small kids. I was on holiday and I say an operation that was similar to this one in Cape town, and I thought that there was nothing like this in [this city] and so I decided to take the risk and open one up. It makes me independent.and especially with little kids I have a more flexible timetable. I do things my way on my time and that is a great advantage. (Interview number nine: Female entrepreneur of a retail business with two employees)

> Because of the climate. My husband was expected to move up to the Transvaal and that was the last place that we wanted to go, growing up in [this city] with all our family and friends here, so we decided to go ahead and start something new that we could run. We then started this, and he has subsequently bought a bottle business and is getting that going again. (Interview number 18: Female small business owner of a retail business with two employees)

It should be clear that there are multiple motives prompting individuals into self-employment. It is also clear that although economic advancement is essential for the survival of these small businesses, it was clearly not the dominant motivator but formed one part of the motives that prompted the individual into this situation of self-employment. The most important motive expressed was the need for independence (financial/managerial and other) from others in the business environment. Although business proprietorship is a means whereby the individual could achieve this desired level of independence, the extent of financial independence that could be

achieved depended largely on the availability of personal financial backing for the venture as well as the profit level that was generated by the business.

The motives leading to self-employment were based on a mixture of push and pull influences. The primary motive for entrepreneurs appeared to be the desire for independence, a pull factor. The entrepreneurs appeared to be highly motivated by the need for personal achievement as well as, to be a success personally, and to be successfully financially. The small business owners were on the other hand significantly motivated by a need for security, which was a push factor. Many negative aspects of employment, disruption to family life, and insecurity pushed these small business owners into self-employment. Frustration with employment advancement also led many of the respondents, both small business owners and entrepreneurs, into self-employment, a career in which they felt it would be easier to attain their goals. The need for greater job satisfaction was not always directly mentioned and the two groups rate almost equally on this motive. It must be noted however, that a clear majority of the respondents did not regret the decision to start their businesses and they reported increased job satisfaction in their present self-employment positions.

An important factor for small business owners was the need for security or employment. Their inability to either find employment or to find a secure job were strong motivators to become self employed. Many of them had no choice and self-employment was the only alternative. There was also a difference between the two groups for the motive relating to flexibility to deal with other personal goals. With most of the entrepreneurs, the business came first and was seen as the most important aspect of their lives. With some of the small business owners it was clear that their motive for starting a small business was to fulfill other important family obligations.

4.3.2 Autonomy and independence

Many of the motives (both positive and negative) expressed in the interviews concerned the need to be independent. The respondents, especially the entrepreneurs, reported a high level of confidence in themselves, and self-reliance in the day-to-day running of their businesses. In some cases, in the entrepreneurs' decision making, they reported consulting with outside people, but they preferred to be in control at all times. Those who were consulted were often used to reinforce the decision taken, rather than help in the actual decision process.

There was a need for strict control by small business owners and entrepreneurs over the business, generally by keeping a firm hand on its operation. Some expressed the desire to control the operation entirely alone, without any partners because it was argued that they would then be in a position to conduct the business exactly how they expected it to be conducted. This was especially true with many of the entrepreneurs who preferred to retain strict control, and the acceptance of a partner was often because of the need for additional financial assistance, not for their managerial participation. If the entrepreneurs could have financed the business entirely on their own, they would not have had any partners. All the respondents appeared very autocratic in their dealings with their staff to ensure that things were done "the right way" the first time.

At times the decision by an entrepreneur to start an independent business rather than a franchise also stemmed from the need for managerial independence (i.e. a franchise was perceived to offer less independence than an independently run business). Many of the small business owners relied on their family to support in the operation of the business, and some had their spouse as the partner in the business. Entrepreneurs on the other hand, were less likely to start family businesses that had a large amount of family involvement. This broad need for, and preference for independence, was reported by the majority of the respondents and the following examples indicate this tendency.

> Alone it is more of a risk but I have more control over the business. I am happier with this. I think it's the need to be independent, to be able to decide for yourself what you are going to do with your life and not leave it in the hands of somebody else (Interview number 29: Female entrepreneur of a manufacturing and retail business with three employees).

> You should stay small, you have the advantage of control and good decision making. You are more flexible and open to adaptation and change. You do away with the beurocratic type organisation. I had some employment problems before, but now staff is small and easier to control... control is essential (Interview 14: Male entrepreneur of a manufacturing and retail business with three employers).

> There are four partners, and we work independently, we are generally only partners in money and that suits us all fine. We all like to have our own businesses, but find that it is beneficial to pool our resources giving us more strength and opportunity... we generally don't have time to go and stick our noses into the other partners businesses. I operate very much independently, I cannot stand this idea of somebody continually being there to assess and question you on the decisions that you make (Interview number 16: Male small business owner of a franchise operation with 10 employees).

Throughout these needs for financial and other professional support there was a need for outsiders to be consulted, resulting in less independence and a loss of some control that the entrepreneur has over the business. The entrepreneurs may have started the business in order to gain this independence and control, but they seldom achieved the level of independence that they desired. They became dependent on other people, such as customers, suppliers, and financial institutions. The majority of the entrepreneurs and small business owners did however report positive rewards from owning and operating their own business. It was felt that some degree of independence had been achieved.

4.3.3 Persistence and determination

The respondents were closely related to their businesses and they described themselves in terms of the business. One of the first characteristics identified was that both small business owners and entrepreneurs reported being committed to their businesses. The success of the business was important because in most cases it was the only

form of financial support. Being dedicated to the business and taking personal responsibility for its success or profitability were therefore essential.

The entrepreneurs, while operating in what was considered an uncertain environment, made it clear that they believed in what they were doing and this belief in what they were doing was a driving force that was reported to sustain them when 'things get tough'. Once the entrepreneurs had identified an opportunity in the environment and formulated goals (which were sometimes vague), they were quick to put the idea into action. Having the determination and drive to create a tangible product or service from a business idea was more important than the identification of the idea itself. The majority of entrepreneurs considered themselves logical and realistic, able to see where the opportunity existed but not identifying this as anything overtly important. The entrepreneurs felt that anybody could identify the opportunity, but what was important was their drive to turn the idea into a reality, to create the opportunity from the idea.

There was a positive self perception by the entrepreneurs in their ability to cope with the situation at hand, but this high level of commitment by the entrepreneurs to their businesses was more often than not coupled with a high stress level. The determination that was needed to turn their ideas into a reality meant that they had to be totally dedicated to their businesses, sometimes at considerable cost to their relationships with their friends and family. It was cautioned by many, that anybody wanting to follow the route of the entrepreneur must be prepared to make the sacrifices necessary, especially with regard to one's time. Two of the entrepreneurs described the commitment in terms of the time that they had to spend on the business.

> You find you give up all your social life, straight away. I find I get to work at 7:00am and I only get home after 6:00pm. I do go out sometimes at night but then I usually find that I am so tired the next day that it actually is not worth it. You actually sacrifice it all, you also work Saturdays and Sundays as well and you just don't miss it after a while. I catch up on work at night, over the weekends and during the early morning, whenever I get a chance to be alone. It's a price you have to pay if you want it to be a success (Interview number 29: Female entrepreneur of a manufacturing and retail business with three employees).

> Well, the more I've gone into my business, so I have found it more difficult to relax. It's so much more difficult to keep my thoughts off the business... one's always got this worry in the back of your mind. You can't really relax sometimes. Your thoughts are constantly on what's going on - this account, that account... it keeps one fairly occupied, fairly sort of alert. I am 26 years old and the business has been going for two and a half years, and I just cannot afford to take time off, business is always a major concern. You work overtime, over weekends, attempting to find work for the business (Interview number 13: Male entrepreneur of a manufacturing business with 15 employees).

4.3.4 Risk Taking

All the respondents identified that starting any small business was a risk, but the results do indicate some strong differences in perceptions and attitudes towards these risks. These differences were affected to a large extent by the motives, self-perceptions, and perceptions of and attitudes towards the external environment.

The entrepreneurs demonstrated a willingness to take risks in dealing with what was considered by them to be an uncertain environment. All the entrepreneurs identified that they had to take some form of risk in order to launch their businesses and they identified themselves as willing to take risks to achieve their goals, such as, "I am definitely a risk taker, you have to be one in order to succeed": " you have to be a risk taker to a certain extent":and "you have to take a risk to achieve your goals".

The majority of small business owners on the other hand did not identify themselves as risk takers, although many of them had taken some form of risk when starting their businesses. Small business owners appeared to start businesses in an industry or area with a low level of uncertainty or ambiguity or where there was a high level of support, such as a franchise business. The businesses started by the small business owners were reported not to have changed much over the years, indicating a more stable business environment. The following quotes indicate many of the small business owners' approach to business formation.

> I pretty much tend to think it out, no I wouldn't think of myself as somebody that takes risks. I am not impulsive. If you take the decision to start this business in [this city]; the first thing is that I wouldn't have jumped in here if I hadn't known that it would work... there is no such thing as jumping into the water with your hands tied behind your back hoping for the best... I also have a lot of support from the main office if something should go wrong... (Interview number two: Male small business owner of a franchise business with four employees).

> I am not a chancer, and I have never been a chancer.... I had a family to take care of and couldn't afford to take any risks and anyway the risk was very low because it was a going concern, and I have not changed the shop much since then. (Interview number 30: Male small business owner of a retail business with five employees)

> I am not a risk taker... if somebody could have told me that they could have guaranteed me a job until I retired I would not have gone into business. We knew the business and knew that we would be able to make an adequate living from it... we took all of the retrenchment money and took out a loan on the house to start the business. That is probably the first risk that we have taken... but now I am in the business, I will do it. I am here, it has got to be done and I will do it (Interview 28: Female small business owner of a retail business with four employees).

Although they identified themselves as risk takers, the extent of risk taken by the entrepreneurs was determined by their assessment of the situation in which they found themselves. They identified themselves as risk takers, but qualified the statement by stating that in their decision making they would carefully evaluate the risk to reduce or control it. In this assessment they took into account a variety of factors; factors such as their own ability to cope with the situation as well as their perceived chances of success or failure. A strong positive attitude towards the new product or service provided plus a high positive perception of their abilities to cope with the situation at hand most often led to the driving force that allowed the entrepreneur to take what appeared to be high risks concerning new products and services with confidence. A positive belief in the new product or service provided was a major motivator for the entrepreneur to decide to take the risk, as the following quotes indicate.

> I am a risk taker, you have to be in order to make money. I knew the product was good, the only problem was getting the customers into the shop (Interview number 24: Male entrepreneur of a retail business with five employees).

> I think everybody who starts a business has to take some form of a risk, usually financial risks. My major risk is that the product is unique and people in [this city] may not have the inclination to try it. It is a calculated risk because I have seen the product work very well in Johannesburg, and I am confident it will catch on here (Interview number six: Male entrepreneur of a restaurant with four employees).

Many entrepreneurs stressed that they were not impulsive, and went over every major decision in an attempt to reduce the risk in some way. Careful evaluation and an in-depth assessment of the situation was the norm. At times it was through the use of contacts as well as using past experience which allowed them to reduce, avoid or plan for any risk. The following examples show this from the individuals themselves.

> I have to take risks to get where I want to go in the time that I want to do it. I don't like taking risks so I plan what I am going to do very well and reduce the risks as much as possible. I am starting another business now so again I am facing a large amount of financial risk but I will use my experience in this business to help deal with it (Interview number 14: Male entrepreneur of a retail and manufacturing business with three employees).

> You have to be a risk taker to a certain extent. You have to, it is a much higher risk than anybody takes working in an organisation. You are definitely taking a risk when you start your own business, but you try to minimize it in as many ways as possible. Whether you like it or not you have to take it.... but I turn the coin many times before committing myself (Interview number four: Male entrepreneur of a retail and manufacturing business with 14 employees).

> You always have to take a risk, but I have contacts in this business in the [city] area. I have an advantage in that I know a lot of people in influential positions that can help me in the business with contacts and competing better. I also know that people have to buy this type of product and there is not than much need for advertising, and it relies on the operation, not on the product itself to sell the product (Interview number one: Male entrepreneur of a retail business with two employees).

> Any decision that I make has been considered from all angles, and any method that can be used to reduce the risk is used. I feel that I can handle the decisions, and I am not impulsive. The money that I was putting in was a calculated risk (Interview number 29: Female entrepreneur of a manufacturing and retail business with three employees).

Although it was clear that the majority of the entrepreneurs identified themselves as risk takers and the small business owners did not, none of the respondents identified themselves as being impulsive in nature. Entrepreneurs appeared willing to deal with uncertainty, but any decision involving risk was carefully weighed with the information on hand, with a clear attempt to reduce the chances of failure, by avoiding or minimizing the risks in any way theat they could. They appear to take very careful, calculated risks, risks which varied according to their motive and their self perception. Entrepreneurs reported confidence in their abilities to deal with any situations that may occur within the business. With this positive self perception, the entrepreneurs were more willing and therefore able to cope with uncertain or difficult situations.

4.3.5 Tolerance of ambiguity/uncertainty

The entrepreneurs choice of business (i.e. starting a business with a new product or service in an unfamiliar environment) in many cases demonstrated their willingness to deal with uncertainty and ambiguity. Within these environments they had to be self-confident and rely on their own abilities. This ambiguous environment was characterised by change and most of the entrepreneurs, on starting their small businesses, have had to change their original ideas and products to better suite what the customer was willing to pay for. This was in contrast with most of the small business owners who had not changed their businesses or product/services much in the time that they had been operating. This also indicates a willingness and an ability to be flexible.

4.3.6 Self-confidence

A positive perception of one's ability to deal with the situation was also a strong motivator. A high level of self-confidence was reported by the entrepreneurs. The following quotes indicate this positive self perception.

> I felt that it was a good idea and I went for it, I wouldn't have done it if I felt that I wouldn't have been able to do it. You could say that I believed in myself (Interview number three: Female entrepreneur of a service based business with three employees).

All the money that I had I put into the business, so there was the risk that I would lose it. I did not think that I would lose it because I knew that people would come to me, people trust me and I know what they want (Interview number 32: Female entrepreneur of a manufacturing and retail business with five employees).

I don't gamble, but I do take chances... I am confident in myself. I had to risk my life savings to start the business... I lowered my investment risks by planning and knowing my limitations... once I understood what my limitations were, I realised what I was capable of and what I had to do (Interview number 10: Female entrepreneur of a manufacturing and retail business with three employees).

4.3.7 Stress

The respondents, especially entrepreneurs, were extremely time conscious. The extensive hours worked makes time important in the lives of the average entrepreneur. The other major problem that was identified by entrepreneurs in starting and operating a business was the increased stress experienced. The most persistent form of stress reported, resulted from the long hours at work away from friends and family. Many of the entrepreneurs reported loneliness and a loss of contact with significant others. Their business and personal lives were interlinked, and there appeared to be very little of personal life that was not affected by the business. Entrepreneurs often had a positive self perception because of what they had managed to achieve, but they were unable to divorce themselves from their work. This resulted in very little time left for recreation and vacation. Generally, most of the entrepreneurs acknowledge the presence of stress in their lives.

The small business owners also experienced pressures from work as well as spending a great deal of time dealing with work matters. There was a difference however between the entrepreneurs and small business owners. If business was going well and there was an opportunity to take time off, then it could be done without any guilty feelings. This was especially important with those who had been operating businesses for a longer period of time, and the businesses were perceived to be more stable. Concerns for business were present if there was something important to deal with but otherwise they found it relatively easy to relax in leisure time. With the entrepreneurs it appeared to be different in that they were constantly thinking about the business while away from it. A small business owner, although similar to the entrepreneur in the extended time and work that is done, tells how he is able to relax when away from work.

The work and the hours, they seem to go on forever... there is no time to spend on others. It is unfair on the family... to start with I don't get time to take off, I don't go on holiday or take leave, because the business will stop without me. When I am relaxing in the evening, I can forget about the work, such as being at church or watching sport on TV, or working in the garden.... I can relax unless there is something important or specific that has to be done (Interview number 30: Male small business owner of a retail business with five employees).

The entrepreneurs reported coping with stress by simply getting on and doing the job and thinking that the stress will deal with itself. They avoided or ignored the stress as best they could, accepting that it was part of the job and couldn't be removed. The persistence and determination displayed by the entrepreneurs were important driving forces. Friends and family were also the major support mechanisms, and through this support the respondents gained confidence and a sense that what they were doing was right. Sport was also reported to play a part, but often time consuming sports were given up in favour of less time consuming sports. Recreation activities that did not rely on the commitment of others were also chosen, mainly because of a need for a flexible timetable given the demanding situation of running a business.

In summary, there are a wide range of motives (both positive and negative) affecting the respondents, with the entrepreneurs reporting independence and autonomy as most common, while small business owners reported greater job security or employment as the most common motive. A high level of commitment and determination was identified by all respondents, but this appeared to be more important to those operating in uncertain environments, of which the majority were entrepreneurs. These entrepreneurs also reported more stress in their daily lives due to the uncertainty.

Risks were common in the starting of a new business, and while there were differences in the risk taking perception (entrepreneurs identifying themselves as risk takers, while small business owners were not) the entrepreneurs offset this risk by having a high level of self confidence, coupled with a strong belief in what they were doing (a belief in the success of the product or service). Although both groups reported the need for independence, only three of the entrepreneurs had partners, while nine of the small business owners had partners, and none of the entrepreneurs started franchise businesses for the reason that it would erode their need for autonomy and independence.

4.4 Individual competencies

4.4.1 Education

The education level of the respondents is summarized in Table 5. Education was identified as playing an important role in the background of both the entrepreneurs and the respondents. The majority of respondents (28) had completed high school, with 10 of these respondents completing some form of tertiary education. There were no significant differences in the educational level attained by the two groups and the majority of respondents identified their education as being an important aspect of their entrepreneurial venture. Education was not identified as essential, but an advantage in that the majority of education undertaken was not perceived by the respondents to be directly relevant to the skills needed to start and manage a new business.

Table 5. Highest education level attained by respondents

Education Level	E	SBO	Total
High school uncompleted	2	2	4
Matriculated	6	8	14
Technicon/University uncompleted	3	1	4
Technicon graduate/Tradesman Certificate	4	2	6
University Degree	2	2	4
	17	**15**	**32**

The education undertaken was in the majority of cases not directly related to the type of business that was started. Almost all the respondents reported skill deficiencies in starting their businesses and they had in some cases attempted to improve their education through part-time study on specific work related subjects (e.g. accounting). This was extremely difficult because of the time pressures involved in operating their own businesses.

4.4.2 Experience

Respondents had a wide range of occupational experiences prior to starting their businesses (Table 6), with the majority (16) having had experience in the industry in which they opened their businesses. Only eight started in a business area in which they had no previous experience. There were five respondents who were full time housewives prior to starting their businesses, and only three respondents started their businesses directly after the completion of their education without any prior experience in the chosen industry.

The experience of the respondents (especially in an incubator organisation) was an important contributor to their positive or negative motivations. Their experiences also provided them with skills that they could use in their new occupations, even if the actual business started was in another industry than that in which they had their experience.

Table 6. Previous occupational experience of respondents.

Area of Experience	E	SBO	Total
In the same or similar industry	10	6	16
In a different area of work or industry	4	4	8
Housewife	2	3	5
Straight from education without any previous experience	1	2	3
	17	**15**	**32**

Even though there are some individuals who did not have any experience in the area in which they started their business, there was a preparation period prior to committing themselves to the new business. This preparation period ranged from less than six months to greater than eight years. During this preparation period, the individual would necessarily gain a better understanding of the business environment that they intended entering as well as preparing themselves both psychologically and financially for starting and operating a business. During this time, contacts and social networks were built up, made up of personal and professional persons.

Those individuals that started businesses in areas in which they had experience (i.e. in incubator organisations) were more likely to have been pulled into new venture creation by the opportunities identified. These were positive motivators or pull factors. This was not the case for some of the small business owners who took over family businesses in which they had extensive experience. Those individuals that started businesses in areas in which they had little or no experience or education were more influenced by push factors or negative motivators, such as a wish to avoid negative consequences or avoid insecure jobs.

Some of the entrepreneurs had started their business on a part-time or very small scale and it had subsequently developed into a formal business. This was the safest method used to start a business as it gave the owner a chance to try out different ideas without committing large sums of money or resources to them. It could also be done on a part-time basis. These individuals had identified business opportunities which were then tested and modified prior to starting a formal business.

> I had been working from home before that and I felt that it would be better for me if I started a formal business. Because of the success from home I knew that it would succeed and the risk was not that high because I had my own equipment. Having a business premises is a great advantage, and the boredom I felt before was gone.... By being here it is almost an advert in itself in a way and people go past, they see the shop and hear about you. (Interview number eight: Female entrepreneur with an manufacturing business with no employees)

> I wanted to make money. In a job as a secretary you do not make very much money and I needed to have more money. This was one way that I could make more money and keep my job... the business [which was run part-time] was going well and I wanted to be a part of it. I need to be here to see the customers and see what they want. They get confidence in the owner of the business, they always want to see the owner of the business and I would not be here. I then decided to give up my job because the business needed me on a full time basis... (Interview number 32: Female entrepreneur of a manufacturing and retail business with five employees).

> I have always made clothes for myself, and my friends started paying me to make things for them so I just went from there and expanded into the business... I was working upstairs with a seamstress but I have moved down by myself. I think it's the need to be independent, and I wanted to go somewhere. I

now have that opportunity.. (Interview number 29: Female entrepreneur of a manufacturing business with three employees).

4.5 Sociological factors

The sociological factors that were significant to the entrepreneurs were the effects of role models and the social and professional networks that were created.

4.5.1 Role Models

Some of the respondents reported their positive aspirations and motives due to the entrepreneurial tendencies of those around them such as family, friends and business associates. These role models provided a positive image to the potential small business owner or entrepreneur, as well as offering advice and encouragement in the initial stages of the small business. It was often a life-style portrayed by the role models that the respondents had identified with, often because they were familiar with the lives led by these role models. Many of the respondents reported that similarly to their role models, there was the challenge of being in control of their own lives, to be independent.

> I suppose because I saw him [father] do it, it was an incentive for me to do the same. In fact, I don't think that there was anything that I was really prepared to do that did not involve my own business. It was a challenge to take over the general dealer [not his fathers business]..... and to build it up into a high fashion, label business. The thrill was to be able to paddle your own boat, to decide yourself where you were going to steer and what direction you were going to take. The ability to control your own destiny was probably the most important aspect of the initial exploration into what was then a relatively unknown area. (Interview number 27: Male entrepreneur of five retail businesses with 25 employees)

> I had been working for my father and I felt that if I was going to work this much anyway I may as well be doing it for myself rather than for somebody else. I had been putting in a lot of work and felt that I would rather get more than a salary out of it. I had the money to start and it I felt that it was now or never.... My parents and some of my friends were self employed and seeing their successes and lifestyles, there are hassles but I knew about them.... I had confidence in myself and felt that I could do it on my own. (Interview number one: Male entrepreneur of a retail business with two employees)

4.5.2 Personal and professional networks

What was also of importance to the majority of respondents were factors that affected them directly, especially the support that they received from the environment. This support was identified in two different areas: the first was professional support (financial and managerial); the second was psychological (moral support). The entrepreneurs appeared to have a more extensive professional networks than the small business owners, but

smaller personal networks. Small business owners preferred to go to family and friends for their support, while entrepreneurs were more likely than the small business owners to go to external organisations for the required support.

Personal savings of the business proprietors were seldom enough to avoid the need for financial assistance from outside sources. Consequently, the majority of proprietors approached other family, friends, financial institutions or small business organisations (e.g. Small Business Development Corporation) for financial assistance. A characteristic of the small business owners was their avoidance of formal institutions and their tendency to approach informal sources of financial support, such as personal, family, friends or acquaintances. The entrepreneurs were more likely to approach formal institutions than the small business owners, although they did use a significant amount of personal savings, or loans from family, friends or acquaintances.

The need for managerial or other professional services (i.e. banking, accountants, lawyers), often lacking in the respondents, was found mostly informally by the small business owners, such as family, and business associates, but some of them, especially the entrepreneurs, did approach formal organisations for this form of support. Again there were mixed reactions to the support from outside organisations, with some respondents reporting extremely positive attitudes towards these organisations while others being rather skeptical on the services provided. These support networks (i.e. family, friends, acquaintances and formal institutions) were essential to the success of most of the businesses as many of the respondents were deficient in one or more of these areas.

The psychological support was also viewed as an essential aspect to becoming successful. One of the results reported by all the respondents concerning the operation of the small business was the long hours, the necessary dedication and commitment required from the business. Friends and family provide understanding, encouragement and physical support. These people who supply moral support help the individual entrepreneur and small business owner to persist when times are tough. Another important support were other small business owners (role models). These external members served to provide a supportive environment during the launch and development of the business. Examples of this support were given by the following respondents.

> I think that the one thing that has kept me going would be the family support. The important thing is that you at least feel that you're not along in the struggle. You know, I have always remembered that, it is always better to be in trouble with a couple of people than when you're alone. Somehow they make you feel better about it, it definitely does help (Interview number 12: Male entrepreneur of a retail business with two employees).

> I get a lot of support from my husband. He understands when I have to work long hours and am away from home. He is always there to give me support and to help me if I have a business problem. My friends also, they understand what I have to do and they are always willing to help. Because of this,

it is easier to cope when the business is down (Interview no 11: Female entrepreneur of a manufacturing and retail business with two employees).

While there was evidence of both personal and professional networks, the structure of many of the businesses created by the small business owners revolved around the family. The family was very involved in the operation of the business and so the support was physical as well as psychological. The majority of the entrepreneurs started businesses that were distinct from other family members and so they experienced more isolation from them due to long hours away from the other family members. They had wider professional networks, but less contact with family and friends. The entrepreneurs' new friends were more than likely other business associates.

4.6 Perceptions of the external environment

In the course of the interviews, perceptions and attitudes towards the political, economic, or social environment emerged and it was clear that they had an effect on the motives of the respondents to become self-employed. The respondents' perceptions and attitudes towards the external environment also affected their business characteristics and strategic business focus.

The South African environment was identified by all respondents as changing rapidly. The extent of these changes on the individual respondents was identified as being very different. The results show that there were differences in perception and attitude between the two groups of the external environment and its effect on them. A majority of small business owners remarked that for them, life would not change much, not even with these changes in the external environment taking place. Their businesses were relatively stable, focused on a niche and they were not expected to change much over time. On the other hand, it was evident that the entrepreneurs identified these changes as important, and the business may change over time to take advantage of the changing environment. The external environment for the entrepreneurs was identified as uncertain and opportunity filled.

Large business was identified by all as being significantly affected by the changes. Many of the small business owners remarked that if they had been working for somebody else, their lives may have changed a great deal, probably for the worse. The large business sector was identified as being unable to provide a stable or secure future and so starting a small business was identified as a more predictable alternative than formal employment. Their inability to find adequate paid employment and their perception of a rapidly changing political and economic environment were important contributors affecting a minority of the entrepreneur, but a substantial number of small business owners, to become self-employed.

A distinction between the two groups was identified. The small business owners reported starting businesses to achieve greater stability in their lives. The entrepreneurs started small businesses to take advantage of the opportunities that had been identified because of the changes in the external environment, not because they

could achieve some form of stability by leaving their formal employment and starting a small business. These changes were therefore not necessarily identified as threatening, but as opening up opportunities.

4.7 Structured-Objective Rorschach Test (SORT)

Analyses were made separately for the entrepreneurs (16) and small business owners (15). Because of the size of the sample, no meaningful comparative analysis could be made by gender or race. Tables 7 and 8 present the objective scales of the Structured-Objective Rorschach Test for the two groups of respondents. The t-test was applied to this survey only to point to direction and relative magnitude of differences.

Table 7. Mean and standard deviation of the 25 SORT traits.

	Small Business Owners N = 15		Entrepreneurs N = 16		Population[a] N = 3020	
Trait	**M**	**SD**	**M**	**SD**	**M**	**SD**
1. Theoretical	51.066	9.456	53.022	3.403	50.88	10.182
2. Practical	51.624	9.234	48.706	5.489	50.95	10.036
3. Pedantic	45.750	8.700	48.573	3.478	50.93	9.886
4. Induction	49.887	8.757	54.613	6.148	50.96	7.843
5. Deduction	50.227	7.975	52.532	6.728	51.00	6.841
6. Rigidity	50.395	7.150	52.655	7.485	51.77	10.071
7. Structuring	50.815	9.340	49.637	7.506	51.13	9.953
8. Concentration	50.811	7.575	50.646	5.910	49.67	6.679
9. Range	49.885	7.529	50.267	7.0	49.48	6.555
10. Human Relations	54.017	8.748	52.973	11.569	51.15	9.885
11. Conventional	53.190	9.621	54.383	6.921	50.64	10.090
12. Individualistic	44.895	9.298	48.203	7.234	50.86	10.722
13. Persistence	50.395	7.150	52.655	7.485	51.77	10.071
14. Aggressiveness	49.791	8.007	53.073	6.880	51.09	5.937
15. Social Responsibility	51.320	8.623	53.897	6.848	51.53	7.035
16. Co-operation	52.064	5.538	50.400	5.793	51.81	6.728
17. Tact	49.577	6.284	51.395	7.051	49.47	5.730
18. Confidence	47.951	8.184	52.467	8.021	49.48	6.913
19. Consistency of Beh	51.920	8.123	50.924	5.256	52.28	7.084
20. Anxiety	49.663	14.901	53.382	6.997	51.17	10.078
21. Moodiness	50.038	5.035	47.941	5.076	49.93	4.660
22. Activity Potential	45.162	11.294	55.182	11.960	51.57	10.052
23. Impulsiveness	48.490	7.639	49.062	5.965	49.81	6.689
24. Flexibility	49.895	9.567	53.350	7.736	50.38	6.507
25. Conformity	53.702	8.862	52.838	6.199	49.65	9.885

a: Scores derived from the SORT.

Population is being used here to denote the norms provided in Louw (1975).

Table 8. T-scores and differences between the means of the groups.

	Entrepreneurs - Small Business Owners		Entrepreneurs - Population		Small Business Owners - Population	
Trait	**Diff.**	**t**	**Diff.**	**t**	**Diff.**	**t**
1. Theoretical	1.258	0.499	2.142	0.841	0.186	0.071
2. Practical	(3.4)	1.256	(2.244)	0.894	0.674	0.260
3. Pedantic	2.088	0.888	(2.357)	0.953	(5.18)	2.025*
4. Induction	4.338	1.605	3.653	1.860*	(1.073)	0.528
5. Deduction	2.138	0.809	1.532	0.893	(0.773)	0.436
6. Rigidity	2.321	0.882	0.885	0.351	(1.375)	0.528
7. Structuring	(1.417)	0.467	(1.493)	0.599	(0.315)	0.122
8. Concentration	(0.333)	0.137	0.976	0.583	1.141	0.660
9. Range	0.35	0.134	0.787	0.479	0.405	0.239
10. Human Relations	(0.542)	0.146	1.823	0.735	2.867	1.121
11. Conventional	0.813	0.271	3.743	1.482	2.55	0.977
12. Individualistic	2.95	0.99	(2.657)	0.990	(5.965)	2.151*
13. Persistence	2.321	0.882	0.885	0.351	(1.375)	0.528
14. Aggressiveness	3.1	1.159	1.983	1.331	(1.299)	0.844
15. Social Responsibility	2.379	0.854	2.367	1.342	(0.21)	0.115
16. Co-operation	(1.646)	0.808	(1.41)	0.837	0.254	0.146
17. Tact	1.942	0.807	1.925	1.339	0.107	0.072
18. Confidence	4.525	1.553	2.987	1.722*	(1.529)	0.854
19. Consistency of Beh	(1.346)	0.551	(1.356)	0.764	(0.36)	0.196
20. Anxiety	1.613	0.390	2.212	0.877	(1.507)	0.576
21. Moodiness	(2.079)	1.144	(1.989)	1.702*	0.108	0.090
22. Activity Potential	9.842	2.352*	3.612	1.432	(6.408)	2.461**
23. Impulsiveness	0.308	0.126	(0.748)	0.446	(1.32)	-0.762
24. Flexibility	3.208	1.03	2.97	1.819*	(0.485)	0.287
25. Conformity	(1.213)	0.444	3.188	1.289	4.052	1.584

Population is being used here to denote the norms provided in Louw (1975).

* Significance at the five per cent level ($P \leq .05$)

** Significance at the one per cent level ($P \leq .01$)

In comparing entrepreneurs and small business owners (refer to Table 8) the entrepreneurs scored significantly higher than the small business owners on the scale of 'Activity Potential'. Activity potential implies the control of emotional energy, the ability to follow through on planned action and concentration of energy in a specific direction, as opposed to dissipation of energy in non-productive channels (Stone, 1958 cited in Louw, 1975, p. 9).

Compared to the general population (Table 8), entrepreneurs were significantly higher on scales reflecting:

- an inductive tendency, which is the facility for logical thinking, based upon inferences from elements, the use of their accumulative synthesis to derive principles and to come to conclusions or generalisations, and the ability to create a meaningful whole from details;
- confidence, which refers to ego-strength, self-confidence and persistence: a high score implies the ability to withstand stresses and maintain self-confidence under adverse circumstances; and
- flexibility, which indicates a general adaptability, the ability to accept most situations and to handle them in a mature manner, and the ability to adjust readily from one situation to another.

The entrepreneurs were lower than the general population on scales reflecting moodiness, which refers to sharp fluctuations in mood, ranging from elation to depression.

Compared to the general population, small business owners were significantly lower on scales reflecting:

- a pedantic tendency (which is a tendency to be perfectionistic and to concentrate on precise, sometimes trivial, details);
- individualistic (which reflects the tendency to be individualistic, to perceive that which is unique, different, non-conforming, sometimes even eccentric); and
- activity potential (which implies control of emotional energy, the ability to follow through on planned action and concentration of energy in a specific direction, as opposed to dissipation of energy in non-productive channels).

CHAPTER 5 DISCUSSION

The small business entrepreneur in this research study differed from the small business owner and so did the firms that they created. In addition entrepreneurship emerged as not just a set of personality characteristics. Similar to the measurement of leadership potential, there were some enduring personality characteristics that were important or beneficial to the entrepreneurs, but there were other factors that had a significant impact on entrepreneurs and must be accounted for: factors such as the situational context in which entrepreneurship occurs as well as the competencies of the individual.

5.1 Identifying small entrepreneurial businesses

Given the importance of the entrepreneurial business and entrepreneurship to economic advancement (Carland et al., 1984; Clark et al,. 1984; Schmitz, 1989) and the argument that not all businesses started are entrepreneurial (Carland et al., 1984; Drucker, 1985), there was a need in this study to distinguish between the entrepreneurial and non-entrepreneurial businesses. The critical factor that was used to differentiate between entrepreneurial and non-entrepreneurial businesses in the research project was the innovative behaviour displayed by the business. This factor of innovation is central to Moore's (1986) process model which was used as a theoretical framework for this project.

The results show a clear distinction between entrepreneurial and non-entrepreneurial businesses based on the innovative or adaptative behaviour displayed by the business. The entrepreneurial businesses were more innovative and identified innovation as a proactive technique to gain a competitive advantage. The non-entrepreneurial businesses were more adaptive, being reactive to changes in the environment and changing only when their survival depended on it.

The innovative behaviour of the entrepreneurial businesses, or the adaptative (non-innovative) behaviour displayed by the non-entrepreneurial businesses was found to be directly related to the owner-manager of that firm. It was the owner-managers who controlled, directed and monitored the progress of the business, and their behaviour determined whether the firm would be entrepreneurial or not.

5.2 Characteristics of the individual

The characteristics of the individual were found to be the most important factors in determining whether the business would be entrepreneurial or not. Some of these factors were essential and provide a better understanding of small business entrepreneurship.

5.2.1 Age

In terms of chronological age, entrepreneurs initiated their entrepreneurial careers at a variety of ages. The average age at which the entrepreneurs as well as the small business owners started their businesses was 31 years. The research samples age was consistent with previous research on the age at which individuals start

their own businesses, for example Cooper (1973) who found that the small business owner or entrepreneur with some technical or managerial training typically starts a business when they are in their thirties. Past research indicates that male entrepreneurs tend to start their first significant venture in their early 30's, and female entrepreneurs tend to do so in their middle 30's (Cooper, 1981). It is then that they have the track record, experience and savings to make founding feasible, whilst having the energy level and willingness to take risks which are necessary (Cooper, 1981). An important difference that needs to be considered is that of entrepreneurial age (the age of the entrepreneur as reflected in the experience in the field of the feature or being self-employed) and chronological age (Hisrich, 1990).

5.2.2 Gender

The results indicate that females are just as likely to start new businesses as their male counterparts. There were however some differences in the motives of the female as opposed to the male respondents. Females were more inclined to start a business because of the negative experiences, or lack of potential advancement in previous organisations. They also reported a high need to avoid the status of dependent housewife or low level employee. Generally, the differences can be attributed to socialisation rather than intrinsic attributes and the literature points to the lack of objective evidence to support any bias towards women and emphasizes the need for small business support agencies to treat male and female entrepreneurs uniformly (Watkins & Watkins, 1984). This is discussed further in Section 5.2.4.

5.2.3 Marital status

There were no significant differences in the marital status between entrepreneurs and small business owners. Of those who were married, their spouse was identified as the major personal supporter. This result may indicate an advantage for those married than for those who were single. Generally, when male small business owners started a business their spouse played a major role in the business and they were identified as the other partner. In all the cases, however, if the female small business owner or entrepreneur started a business, their spouse seldom played a direct role in the business functioning, but would rather play a more consultative or part time role while being employed elsewhere.

5.2.4 Motivational factors

The results suggest that entrepreneurs and small business owners start their businesses for a variety of different reasons. There are some commonalities and some differences, and these are important for understanding the entrepreneur. The first thing that is common to both groups is that they had a large number of responses and they were both very similar in their range of motives that were expressed. There were both positive and negative motives expressed by both groups as well. Given this, it became clear that there were important differences between the entrepreneurs and small business owners. Potential entrepreneurs may be moved towards business ownership by many factors, including the nature of the organisation they work for. Some of the motives expressed by the respondents were as follows.

Autonomy and independence

Entrepreneurs were motivated primarily by their need for independence, with all but one expressing this motive, while nine of the small business owners also expressed this need. The expressed motive for greater autonomy and independence related to financial as well as managerial independence. Besides the financial aspect, it is an autonomous attitude in which one is (relatively) free of the influence of the judgements, opinions or beliefs of others in the running of their business. The small business owners were also more motivated by their need for greater autonomy and independence but not to the same extent as the entrepreneurs. This need for independence has been extensively researched and has strong links with entrepreneurship (Burch, 1986; Bygrave, 1994; Collins & Moore, 1970; Cromie, 1987a; Goffee & Scase, 1983a; Hisrich & Brush, 1986; Mahadea, 1993; O'Connor, 1983; Stoner & Fry, 1982; Storey, 1982; Roberts & Wainer, 1971).

Although business proprietorship was a means whereby the respondents had achieved independence, the extent of independence (especially financial independence) depended largely on the availability of personal financial backing for the venture as well as the profit level that the business was able to generate. With the need for financial and other professional services and support, it was essential that outsiders were consulted, resulting in less independence and a loss of some control over the business. The entrepreneurs may have started the business in order to gain this independence and control, but they seldom achieve the level of independence that they desired. They became dependent on other people, such as customers, suppliers, as well as financial institutions. The majority of the entrepreneurs and small business owners did however report positive rewards from owning and operating their own business. It was felt that some degree of independence had been achieved and the majority of small business owners and entrepreneurs did not regret the decision to start out on their own.

Personal achievement

Of the most positive motives expressed were the need for personal achievement, which was expressed by only two of the small business owners, but by eight entrepreneurs. The need for personal achievement or an achievement orientation has been widely researched and has been found to be significantly related to entrepreneurship (Cromie, 1987b; Schwartz, 1976). It is further supported by the literature that has confirmed McClelland's thesis that the need to achieve is a key factor in successful entrepreneurship (Lachman, 1982; Ahmed, 1985; Cromie, 1987a; Hull et al., 1980). The results indicate that this was often related to the pursuit of an opportunity that had been identified in the environment. It was seldom reported as a sole motivator, but was identified concurrently with economic advancement or autonomy. One contradiction for this result is that a high need for personal achievement fails to prove that people with a high need for achievement will necessarily choose to become entrepreneurs, rather than other occupations which might conceivably also attract those who have a high level of nAch (Sexton & Bowman, 1985). This need for achievement is common to many individuals and does not necessarily predict an entrepreneurial tendency (Sexton & Bowman, 1985).

Greater economic potential

The need to pursue an opportunity identified within the environment and the need for greater economic potential were also reported as important motivators for the entrepreneurs. Research has been conducted that supports the results that the entrepreneurs motives to pursue an opportunity identified in the environment (Cromie, 1987; Murray, 1983; O'Connor, 1983; Rothery, 1977; Stoner & Fry, 1982; Storey, 1982) and the desire to make more money or greater economic potential is closely related to the entrepreneur and entrepreneurship (Cromie, 1987; Feldman, Koberg & Dean, 1991; Goffee & Scase, 1983a; Mahadea, 1993; Schwartz, 1976; Stoner & Fry, 1982).

Unsatisfactory work experiences

A significant number of respondents, both entrepreneurs and small business owners, claimed that they had started their businesses because of various unsatisfactory experiences associated with being employees. These unsatisfactory experiences led to a need for independence and enhanced self-control. Other research has supported the idea that job dissatisfaction in an incubator firm is an important stimulus for business founding (Brockhaus, 1980c, 1982a; Cromie, 1987a; Liles, 1974; Shapero, 1975; Shapero & Sokol, 1982; Siropolis, 1977; Weinrauch, 1980). Being one's own boss, free from the control or interference of an employer was an important motivator, especially for the entrepreneurs. Shapero (1975) states that, amongst others, negative displacement were found to precipitate far more company formations than do positive possibilities.

Female respondents, especially the female entrepreneurs, noted that an important factor was the wish to avoid female subordination within the domestic or work situation. Proprietorship offered a preferable alternative to either the dependent status of housewife or low status occupations. These women saw proprietorship as a means of attaining greater independence, self-reliance and freedom from their previous positions. In a study by Goffee and Scase (1983a), women reported that their motives for starting their own businesses was because of various unsatisfactory experiences associated with being employees (e.g. low pay, discrimination). Business proprietorship according to Goffee and Scase (1983a) has traditionally offered a means whereby individual members of economically and socially deprived minority groups (including women) have 'escaped' from positions of subordination and achieved a measure of self determination. In fact, Goffee and Scase (1983a) contend that an important factor for many women is the wish to avoid dependency in the domestic sphere or subordination within the working environment. More specifically, Goffe and Scase (1983a) states that proprietorship offers an opportunity to escape from employer and managerial-imposed control systems of the workplace. Therefore, the frustrations of paid work are according to Goffee and Scase (1983a) often seen to be directly related to male-dominated control structures that operate against the interest of women.

Job insecurity & employment

Reported job insecurity led to the need for greater independence and control over some respondents' lives, although it was clearly more important for the small business owners than for the entrepreneurs. This job insecurity in some instances stemmed from the respondent's perception of a unstable, and unpredictable business

environment. Because of this insecurity, proprietorship was an alternative that allowed them some control over their futures. In many cases, there was little real choice; and starting or taking over a small business was the last resort because of the inability of obtaining adequate paid employment in the labour market. These results are supported by research that demonstrates that actual or threatened redundancy (Cooper, 1970; Cross, 1981; Storey; 1982), job insecurity, or the inability to find adequate paid employment (Goffee & Scase, 1983a; Mahadea, 1993) are strong motivators for self-employment. The hardship associated with prolonged unemployment and the poor prospects of finding suitable employment may leave the individual with no alternative other than self-employment (Mahadea, 1993). Some of respondents' motives were responses to their inability to find employment, as well as the opportunity that presented itself at a particular time.

To pursue other goals

Sometimes the individual has no real choice because of their need to fulfill certain obligations (i.e. role of parent) and so self-employment was identified as the only alternative. This need for flexibility was reported as a major motivator for small business owners who saw the starting or taking over of a business as the only way in which they could fulfill their financial obligations, especially the support of family. This motive was more important for the small business owners than for the entrepreneurs. Cromie (1987a), Goffee and Scase (1983a) and Mahadea (1993) have however identified entrepreneurs as being motivated by the need for flexibility to deal with dual roles such as parent and provider. There were also other family needs that were motivators for some of the respondents move to self-employment, motives such as resistance to geographic mobility.

There were multiple motives prompting the respondents into self-employment. It is also clear that although economic advancement was essential for the survival of these small businesses, it was clearly not the dominant motivator for either the small business owners or the entrepreneurs but formed one part of the motives that prompted the individual into this situation of self-employment. The motives leading to self-employment were based on a mixture of push and pull influences. The primary motive for the entrepreneurs appeared to be the desire for independence, a pull factor. The entrepreneurs appeared to be highly motivated by the need for personal achievement: firstly to be a success personally , and secondly the desire to be financially successful. The small business owners were significantly motivated by a need for security, which was a push factor. The negative aspects of employment, disruption of family life, or separation, and insecurity pushed many of the small business owners into self-employment.

Frustration with their employment situation and poor potential for advancement led many entrepreneurs and small business owners into self-employment, a position from which it would be easier to attain their goals. The need for greater job satisfaction was not always directly mentioned and the two groups rated almost equally on this motive. It was noted however, that a clear majority of the respondents did not regret making that decision to start their businesses and they reported an increased level of job satisfaction in their present position.

The evidence is supported by past research which suggests that the motives for starting a business are diverse (Boswell, 1973; Collins & Moore, 1970; Mahadea, 1993; Stoner & Fry, 1982). All in all, regarding motives for starting a business, the literature reveals that entrepreneurial drives are complex and appear to fulfil a wide variety of needs. Since the results indicate that entrepreneurs were motivated by diverse needs, small business agencies and financial institutions should recognise that monetary incentives may not be the most important areas for aspiring entrepreneurs (Mahadea, 1993). The results in support of autonomy, achievement, and discontentment with jobs allows us to propose that non-economic motives compete strongly with economic motives as a basis for starting a business.

5.2.5 Autonomy and independence

Many of the motives (both positive and negative) expressed in the interviews concerned the need to be independent. The respondents, especially the entrepreneurs, reported a high level of confidence in themselves, and self-reliance in the day-to-day operation of their businesses.

With a high level of self-confidence, the entrepreneurs took and held an unmistakable control over their businesses. Entrepreneurs indicated a preference for controlling all the decision making in the business and there was a strong desire to work independently without other partners, because it was argued that they would then be in a position to conduct the business exactly how they expected it to be conducted. The acceptance of a partner was often because of the need for additional financial assistance and not necessarily for their need as a partner. The entrepreneurs were willing and eager to employ competent individuals, but they expressed a clear need to retain control over the business and strongly opposed any attempts by others to gain power over decision making in the business (this was also indicated in their reluctance to start franchise operations). They appeared very autocratic in their dealings with their staff to ensure that things were done the right way the first time. These results are supported by Burns and Dewhurst (1989) who characterises the entrepreneur as someone who wishes to run his or her own show by a need to be in control at all times. This was also evident in the consultation with family, friends and external sources, where the entrepreneurs were more dominant and preferred to remain in control at all times. As the results indicate, the entrepreneurs would generally consult with others to reaffirm their decisions, and they found it extremely difficult to accept other opinions that were in conflict with their own.

At times the decision to start an independent business by an entrepreneur rather than a franchise also stemmed from the need for managerial independence (i.e. a franchise was perceived to offer less independence than an independently run business). Many of the small business owners relied on their family to support in the operation of the business, and some had their spouse as the partner in the business. This need for and preference for independence was reported by the majority of the respondents. Kets de Vries (1977) describes this need for independence and control by identifying that entrepreneurs are seldom able to integrate their personal needs with those of an organisation; and to design their own organisation, to create and structure organisations entered around themselves, often becomes the only alternative (Kets de Vries, 1977). Kets de

Vries (1977) warns that the complete control and psychological immersion by the entrepreneur (a factor which may have been a key ingredient for the initial success of the enterprise) can lead to serious dysfunctional developments in the future in the case of continued growth of the enterprise.

5.2.6 Persistence and determination

Entrepreneurs were highly persistent and determined individuals and they were characterised by a high level of commitment to their businesses. The entrepreneurs, while operating in what was considered an uncertain environment, made it clear that they believed in what they were doing, and this belief was a driving force that was reported to sustain them when 'things get tough'. This commitment to the business coupled with a high level of persistence and determination is related to the entrepreneurs' need for achievement. Entrepreneurs were eager to get going (an action orientation) in order to achieve their goals. This level of commitment was noted by Mitton (1989) as an important characteristic of the entrepreneur. Once the entrepreneurs had identified an opportunity in the environment and formulated goals (which were at times vague), they were quick to put their idea into action. Having the determination and drive to create a tangible product or service from a business idea was more important than the identification of the idea itself. This idea of the entrepreneur being characterised by persistence and determination has been supported in the literature (Tropman & Morningstar, 1989; Mitton, 1989).

The majority of entrepreneurs considered themselves to be logical and realistic, able to see where the opportunity existed but not identifying this as anything overtly important. They felt that anybody could identify the opportunity, but what was important was their drive to turn the idea into a reality, to create the end service or product of the business from the idea. Tropman and Morningstar (1989), in describing traits associated with the entrepreneur, described him or her as action oriented individuals who can keep at things despite setbacks.

The entrepreneurial firm plays a central role in the life of the entrepreneur as it occupies the majority of the entrepreneurs' time and requires constant attention to succeed. Entrepreneurs often fail to distinguish between their personal and business lives and the entrepreneurs were characterised by a high level of commitment to their businesses, with personal responsibility being taken for the business's profitability and success. There was a positive self-perception by the entrepreneurs of their ability to cope with the situation at hand, but this high level of commitment to their businesses was more often than not coupled with a high stress level. The entrepreneurs believed in their product or service, and together with their high level of self-confidence, it became a driving force that motivated them during good and bad times. These two factors (the belief that the new product or service has merit, and their self-confidence) are what keeps the entrepreneur going despite hostility and criticism (Tropman & Morningstar, 1989). Swayne and Tucker in Welsch and Young (1982) emphasize the importance of a positive attitude and self-confidence as components in the personalities of successful entrepreneurs.

Having the drive and determination to succeed was one of the most important factors of success for the entrepreneurs. The determination that was needed to turn their ideas into a reality meant that they had to be totally dedicated to their businesses, sometimes at considerable cost to their relationships with friends and family. It was cautioned by many, that anybody wanting to follow the route of the entrepreneur must be prepared to make the necessary sacrifices, especially with regard to one's time.

5.2.7 Risk taking

Although self-employment was generally held to be risky, the results of the interviews do indicate some strong differences in perceptions and attitudes towards risk taking. These differences reflect the respondents' self-perceptions and their motivations.

The entrepreneurs demonstrated a willingness to take risks in dealing with what was considered by them to be an uncertain environment. All the entrepreneurs identified that they had to take some form of risk in order to launch their businesses and they identified themselves as willing to take risks to achieve their goals. The propensity of entrepreneurs to take greater risks has been documented in past research (i.e. Dickson & Giglierano, 1986; Burns & Dewhurst, 1989). This risk taking factor has been closely related to the entrepreneurs high need for achievement (McClelland & Winter, 1967) as individuals with a high need for achievement will be more likely to take greater risks to achieve their goals.

While the entrepreneurs generally identified themselves as risk takers (they were willing to take a risk in order to achieve their goals), they qualified themselves by stating that this did not imply that they were in any way impulsive. Through careful evaluation and assessment of the situation as well as assessment of their potential for dealing with the risks taken, they would carefully evaluate the risky situation in order to reduce or control factors affecting the risk. It is clear that researchers have identified that entrepreneurs carefully evaluate their risk situations in an attempt to minimize it, given a particular goal aspiration (Palmer, 1971). Burns and Dewhurst (1989) found that many entrepreneurs bear risk grudgingly and only after they have made valid attempts to get the capital sources and resource providers to bear the risk.

Entrepreneurs appeared willing to deal with uncertainty, but any decision involving risk was carefully weighed with the information on hand, with a clear attempt to reduce the chances of failure, by avoiding or minimizing the risks in any way that they could. They appear to take very careful, calculated risks, risks which varied according to their motive and their self perception. A positive perception of one's ability to deal with the situation was also a strong motivator. This was noted by McClelland and Winter (1967) who identified self confidence as having a positive affect on the individuals' belief in their own ability to cope with the situation thus allowing them to take greater risks. The majority of small business owners on the other hand did not identify themselves as risk takers, although many of them had taken some form of risk when starting their businesses. Small business owners appeared to start businesses in an industry or area with a low level of uncertainty or ambiguity or where there was a high level of support such as a franchise operation.

Although the characteristic of risk taking is often attributed to entrepreneurs, the overall evidence in this research project and past research suggests that entrepreneurs are moderate risk-takers. Other researchers have found that entrepreneurs do not significantly differ from managers (Brockhaus, 1980b; Sexton & Bowman, 1985), or the general population (Brockhaus, 1987) in the amount of perceived risk they will bear. Swayne and Tucker (1973 cited in Welsch & Young, 1984) suggest that entrepreneur are actually risk-neutral to risk-adverse, while Burns and Dewhurst (1989) found that many entrepreneurs bear risk grudgingly and only after they have made valid attempts to get the capital sources and resource providers to bear the risk. This contradiction may be explained by viewing entrepreneurs as capable risk managers whose abilities define what others might view as high risk situations (Amit, Glosten & Muller, 1993). If they have a strong belief in their ability to achieve their goal, their perceived possibility of failure will be relatively low and therefore their perceived risk level will be low (Amit et al., 1993). It would appear that the measurement of risk-taking propensity is not an accurate way of identifying entrepreneurs, whose risk-taking propensity appears to vary widely according to the situation (Brockhaus, 1987) as well as to their self perception and goal aspirations. It may be useful to assess the entrepreneurs techniques for assessing the situation rather than simply determining whether they were risk takers or not.

5.2.8 Tolerance of ambiguity and uncertainty

The entrepreneurs' choice of business (i.e. starting a business with a new product or service in an unfamiliar environment) in many cases demonstrated their willingness to deal with uncertainty and ambiguity. Tropman and Morningstar (1989) reported that entrepreneurs are no less affected by ambiguous situations, but are capable of exploring it and turning it to their own advantage. In the results it was found that entrepreneurs were willing to operate in ambiguous environments but were not immune to its effects (i.e. increased stress experienced). The entrepreneurs' businesses were characterised by change, a change often brought about by changes within the environment in which they operated.

Knight, after Cantillon, re-emphasized the importance of judgement and commitment in the face of uncertainty as essential elements of entrepreneurship and in doing so emphasized the courage to bear uncertainty as an essential aspect of entrepreneurship (Long, 1983). The entrepreneur was described as the one who undertakes uncertain investments (Knight, 1921). Uncertainty, according to Knight, is identified with a situation where the probabilities of alternative outcomes cannot be determined either by a priori reasoning or by statistical inference (Casson, 1983). According to Knight (1921), uncertainty aversion, rather than risk aversion, is the major inhibitor of entrepreneurship.

The entrepreneurs' choice of business therefore demonstrated a willingness to deal with and operate in an uncertain environment. It was noted that most of the entrepreneurs on starting their businesses had to change or adapt to suite their customers needs and wants. Within these environments they had to be self-confident and rely on their own abilities to deal with the changes undertaken. This also indicates a willingness on the part of

the entrepreneurs to be flexible. This was in contrast with most of the small business owners who had not changed their businesses or product/services much in the time that they had been operating.

5.2.9 Self-confidence of entrepreneurs

Swayne and Tucker in Welsch and Young (1982) emphasize the importance of a positive attitude and self-confidence as components in the personalities of successful entrepreneurs. The entrepreneurs in this study reported a high level of self-confidence, and self-reliance in the day to day running of their businesses. The entrepreneurs also scored significantly higher than the general population on self-confidence in the SORT. Confidence is defined by Stone (1958 cited in Louw, 1975, p. 8) as "referring to ego-strength, self-confidence and persistence". It refers to inner feelings of personal worth, with a strong feeling of self-assurance. Scoring highly implies the ability to withstand stresses and to maintain self-confidence under adverse conditions. Confidence in his or her own judgements is perhaps the most important characteristic of the entrepreneur according to Knight (1921). The elasticity of supply of self-confident people is, in Knight's view, the single most important determinant of the level of profit and the number of entrepreneurs (Casson, 1983). A strong positive attitude towards the new product or service provided plus a high positive perception of their own abilities to cope with the situation at hand most often led to the driving force that allowed the entrepreneur to take what appeared to be high risks concerning new products and services with confidence.

In past research, this self-confidence, and a strong belief that the new product, service, idea, or approach that they were proposing has merit, was identified as keeping the entrepreneur going despite hostility and criticism (Tropman & Morningstar, 1989). Although it is clearly related to entrepreneurship, it must be accepted that it does not, on its own, distinguish the entrepreneur from other groups (McClelland, 1987).

5.2.10 Stress

A problem that was identified by entrepreneurs and small business owners in starting and operating a business was the stress experienced. The link between entrepreneurship and stress has been clearly documented (Boyd & Gumpert, 1983). The respondents, especially entrepreneurs, were extremely time conscious and the extensive hours worked makes time important in the lives of the average entrepreneur. The most persistent form of stress reported by the entrepreneurs resulted from the long hours at work away from friends and family. Their business and personal lives are interlinked, and there appeared to be very little of personal life that is not affected by the business. Many of the entrepreneurs reported loneliness and a loss of contact with significant others. Entrepreneurs often had a positive self-perception because of what they had managed to achieve, but they were unable to divorce themselves from their work or business concerns.

It was found that as the small business owners progressed in their businesses, they found it easier to relax and easier to distinguish between their personal and business lives. Once the business has been operating for some time, stability and predictability became the norm with less stress involved. Concerns for business were present only if there was something important to deal with but otherwise they found it relatively easy to relax in leisure

time. With some of the relatively new small business owners and the majority of entrepreneurs, it appeared to be different in that they were constantly thinking about the business. This was understandable in the starting up phase for all proprietors, as well as for the entrepreneurs. Because the entrepreneurial firms were innovative, and keyed on growth and development, the entrepreneurs had to be attentive to changes in the environment as well as perceive and take advantages of opportunities.

The entrepreneurs reported coping with stress by simply getting on and doing the job (persistence and determination) while believing that the stress will eventually disappear; or believing that it was inevitable and that nothing could be done about it. Stress was therefore identified as inevitable and accepted as the norm. Friends and family were the major support mechanisms, and through this support the respondents gained self-confidence and a sense that what they were doing was right. Recreation activities that did not take much time or rely on the commitment of others were also chosen, mainly because of a need for a flexible timetable, given the demanding situation of running a business.

5.2.11 Activity potential

Entrepreneurs scored significantly higher than the small business owners on activity potential on the SORT. The small business owners also scored significantly lower than the general population on this scale. Activity potential was defined by Stone (1958 cited in Louw, 1975, p. 9) as " control of emotional energy, the ability to follow through on planned action and concentration of energy in a specific direction, as opposed to dissipation of energy in non-productive channels". While it has not been directly assessed in previous research, it was closely related to other characteristics associated with the entrepreneur and entrepreneurship. This high score for activity potential on the SORT is related to the persistence and determination (Tropman & Morningstar, 1989; Mitton, 1989) and endurance (Low & MacMillan, 1988; Sexton & Bowman, 1985), of the entrepreneur in pursuing their goals, to their dealing with ambiguous or uncertain environments (Knight, 1921; Long, 1983).

The results indicate that, although there was very little formal planning in the entrepreneurial firms, the entrepreneurs had a "vision" that they had identified and were guided by it in the taking of strategic business decisions. Once the entrepreneurs had identified an opportunity in the environment and formulated goals (which were sometimes vague) they were quick to put the idea into action. Being able to concentrate their energy in a specific direction can be described as a characteristic of their persistence and determination. This is especially important in ambiguous environments, where the risk is that the individual will spend their time and energy on non-productive activities. A high activity potential is clearly an advantage in these ambiguous environments and would keep the person focused on their objectives despite ambiguity or uncertainty. The results for the small business owners indicated that they would be more efficient in areas that were structured and unambiguous. The small business owners would therefore operate better in stable business environments and so their choice of business, business formation and strategic business focus indicate this tendency.

5.2.12 Inductive tendency

The entrepreneurs were found to be significantly more inductive than the general population on the SORT. The inductive tendency was described by Stone (1958 cited in Louw, 1975, p. 5) as "the facility for logical thinking, based on inferences from elements, the use of their accumulative synthesis to derive principles and to come to conclusions or generalisations, and the ability to create a meaningful whole from details". This inductive tendency has been identified by Mitton (1989) who described the entrepreneur as an individual who see the total scene as well as its parts and understand how the parts affect each other and how they contribute to an understanding of the larger picture. This inductive tendency is an advantage in the identification of profitable business opportunities within the environment.

5.2.13 Flexibility

The entrepreneurs scored significantly higher in flexibility than the general population on the SORT. A high level of flexibility is described by Stone (1958 cited in Louw, 1975, p. 9) as "indicating a general adaptability, the ability to accept most situations and to handle them in a mature manner, and the ability to adjust readily from one situation to another". This is especially important in ambiguous or uncertain environments where change is imminent, thus requiring a flexible approach to changes in environmental conditions. This is supported in the literature, in that entrepreneurs have been regarded as flexible, in that their businesses as well as themselves have to adjust and change over time (Tropman & Morningstar, 1989).

5.2.14 Moodiness

The entrepreneurs scores significantly lower than the general population on the SORT on moodiness. Moodiness has been described by Stone (1958 cited in Louw, 1975, p. 9) as referring to "sharp fluctuations in mood, ranging from elation to depression. The intensity and duration of each phase may vary greatly". This was positively related to persistence and determination, in that a low level of mood swings allows entrepreneurs to be consistent in their drive towards their goals and implies an ability to withstand stressors and maintain self-confidence.

5.3 Individual competencies

These competencies are divided into: the education of the respondents; and their experiences, prior to and during, their self-employment careers.

5.3.1 Education

The education of the entrepreneur has received significant research attention. Education was found to be important in the upbringing of the majority of entrepreneurs. While some research has pointed towards the idea that the entrepreneur was poorly educated (Jocabowitz & Vidler, 1982), the results of a large number of studies (Brockhaus, 1982b; Douglass, 1976; Gasse, 1982; Gomolka, 1977; Hornaday & Aboud, 1971; Lee-Gosselin & Grise', 1990; Sexton & Kent, 1981) concluded that entrepreneurs tend to be better educated than the general population. These results also indicated that on average the entrepreneur is slightly less educated than the

manager or executive in an organisation (Brockhaus, 1982b; Sexton & Kent, 1981). This importance is reflected not only in the level of education obtained but also in the fact that it continues to play a role as entrepreneurs try to cope with problems and to correct deficiencies in business training (Hisrich, 1990). Although education was not identified by the respondents' as essential for the creation of a successful venture, it was identified as providing a good background, particularly when it is related to the field in which the venture was started. Douglass (1976) states that even though entrepreneurs have more education than commonly believed, education apparently does not contribute directly to business success (i.e. business school graduates are not as successful as other college majors, and college graduates are not as successful as nongraduates).

The majority (28) of respondents' had completed high school, with 10 respondents completing some form of tertiary education. There were no significant differences in the level of education between the small business owner and the entrepreneurs. All the respondents were on average better educated than the general population. The type of education was in the majority of cases not directly applicable to the type of businesses created. There was one exception, that being an entrepreneur who on completion of her technicon diploma, started her business in the field in which she had received her educated. The perceptions by all the respondents was that their education was beneficial to them, and they could in most cases use or adapt what they had learnt to their business situation. Education was therefore identified as being beneficial, but not essential, to starting your own business. This may have implications for attempts at educating small business owners and entrepreneurs, in that the relationship between the education undertaken and small business formation is weak at best.

Upon starting their businesses, the most common problem that was identified by the majority of respondents was their lack of skills in certain aspects of the management and business operation. The most important of these were accounting skills, followed by managerial skills. These skills became especially important and problematic as the businesses began to expand. There were two methods used to deal with these problems. The first was to educate themselves by taking courses or other forms of study, although this was of limited effectiveness as there were severe time constraints on the individual. The second method was to get professional support, firstly from family and friends who were knowledgeable in the area; or if that was not possible, from outside sources, although the costs of consulting outsiders was noted as a considerable and often unnecessary expense. The end goal of the respondents was to acquire the skills necessary to operate the business without outside help or inteference.

Watkins and Watkins (1984) found that almost nothing that had been studied in the education system by females per se was perceived as relevant to the choice of business. This result raises the questions for the training of entrepreneurs as a whole. In contrast, the process of education and professionalisation can for many members of the male sample be seen as a steady progression culminating eventually in the formation of a specific business venture well suited to that individual's interest and skills (Watkins & Watkins, 1984). This difference between male and female respondents was not evident in this research.

5.3.2 Relevance of experience to entrepreneurship

The results show that the respondents had a wide range of experience prior to business formation. While it was clear that the majority of them had some experience within the field in which they began their businesses, others had other forms of experience, while some had none at all. There were 10 entrepreneurs as opposed to six small business owners who had some experience in the same or similar industry in which they had operated their businesses. There were relatively more small business owners who had experience in a different area of work, or were housewives who were without experience.

The experience of the respondents (especially in an incubator organisation) was an important contributor to their positive or negative motivations. Their experiences also provided them with skills that they could use in their new occupations, even if the actual business started was in another industry than that in which they had gained experience.

For those respondents who had experience, it was seen as invaluable, especially if it occurred within the industry in which the business was started. It was during these experiences that opportunities were identified, and a knowledge of the industry was a definite advantage. By gaining prior experience, a prospective owner is able to identify more readily opportunities and problems within an industry, as well as make helpful contacts with future customers, suppliers, managers, competitors and trade associations (Weinrauch, 1980). There were more positive motivations from respondents who had started businesses from industries in which they had experience than from those that had no experience in the industry in which they started their businesses. Many of the entrepreneurs, although frustrated with their present position, were motivated by the identification of an opportunity within the environment in which they were operating and by taking a chance by leaving the security of their present position. The results indicate, in agreement with Cooper and Dunkelberg (1987) that the entrepreneurs more often than small business owners seem to start new businesses in fields they already know, drawing upon technical and market knowledge acquired in incubator organisations.

Those that did not have the required experience in the field reported that although not essential, any experience in the field would have been beneficial and many of them learnt through trial and error. Respondents who started businesses outside their range of experience were often motivated by negative factors. These respondents identified some opportunity within the environment and chose to pursue that rather than staying in their present location. Brockhaus (1980c) and Shapero and Sokol (1982) reviewed several attitudes that indicated that entrepreneurs were dissatisfied in their most recent previous job. Negative displacement is identified as a major motivating factor (Shapero & Sokol, 1982; Cooper & Dunkelberg, 1986).

Other small business owners who had inherited businesses from family did not, in their own perception have any choice. Some small business owners were forced into their current self-employment position by negative displacement (i.e. retrenchment), or even a threatening or uncertain future in their employment position. In reality, these individuals have had no choice in their move to self-employment.

Research by Stoner and Fry (1982) found that entrepreneurs whose current operations were in work areas different from their previous work experience seemed to do so because of dissatisfaction with the actual work at the previous job; while entrepreneurs whose current businesses were in work areas similar to their previous job experience did not express dissatisfaction with the previous job and were basically motivated to start a business because of the perceived opportunity available through entrepreneurship. They continue by stating that those in the similar group to their previous jobs possessed specific skills in the chosen field, had an understanding of the basic environment and constructs of the work, and a previously developed positive attitude towards the work.

Studies of spin-off rates from established organisations show that internal factors influence spin-off rates, with internal problems being associated with high rates of spin-off and placid times being associated with low rates (Cooper, 1973). Thus, the extent to which the strategic and operating decisions of the established firm satisfy or frustrate its employees influences whether spin-offs will occur (Cooper, 1981).

The majority of entrepreneurs moved into self-employment on their own initiative, and they left what were in many instances considered to be relatively stable positions. On the other hand, the small business owners were characterised by a lower level of experience in the chosen field coupled with lower previous job security or job satisfaction.

Starting a business part time

While the majority of the respondents had started their businesses on a full time basis, it became increasingly clear that there were distinct advantages to starting a business on a part-time basis. Those who had done this reported positive results. They firstly did not have to commit vast sums of money on the potential business, thus effectively opening up the potential for small business development for those who do not have the finances to start a full scale business. They could try out different ideas, adapt ideas and generally experiment without having their entire life savings on the line. Adapting and changing the product-service was the norm and was an easy task in a part-time business. This was reported by one of the small business owners (he had done it because of the insecurity of his job, and he felt that it would be safer and better for him and his family to have something to fall back on) and three entrepreneurs (who had identified an opportunity and pursued it without committing themselves, in order to see if it has the potential they believe it to have).

5.4 Perception of the external environment

The entrepreneurs and small business owners acknowledged the turbulence of the external environment in which they were operating as well as the inability of the formal sector to provide adequate employment to new entrants into the labour market. Small businesses were identified by all the respondents as a method to improve or help solve the problems, such as job creation. But it was clear from their perceptions of the small business and the small business environment that success in operating a small business was identified as the responsibility of the individual, and could not depend on state interventions or support programs. In fact, according to the majority of respondents, the less interference the better. It was up to the individual, no matter what the external

environment, to start and operate a small business, whether it be an entrepreneurial or non-entrepreneurial firm. Cannon (1991) supports this finding by arguing that it is the individual more than the external environment who plays an important role in the competitive success of an individual firm. The respondents also warned that, despite the potentially greater job satisfaction and economic advancement that may result from forming and running your own business, there are a number of personal costs and risks that must be taken into consideration before the decision is taken to start the small business.

This perception of the environment was a crucial aspect towards understanding the motives and behaviours of the entrepreneur, as well as distinguishing between the entrepreneurs and the small business owners. Two aspects were found to be important: the first of these was the respondents' perception of the environment prior to business formation and hence its consequent effects on the individual during business formation: and the second was their current perspective of the environment in which they operated which affected their strategic business focus.

In reviewing their motives for business formation, it was evident that their perceptions of the changes and developments in the external environment were crucial factors influencing the respondents' behaviour. It became clear throughout the interviews that the majority of small business owners perceived the external environment, especially the changes that were taking place, as threats to themselves and their previous positions in organisations, thus motivating them to move into self-employment, where as one respondent put it, " I am the last person that is retrenched in this business". The formal large business sector was perceived by the majority of small business owners as being unable to provide them adequate employment with a secure future. This result has been supported by Mahadea (1993) and Cromie (1987a) who identified the motives of small business owners as relating to job insecurity. This reportedly caused them to move into what was for them considered a more secure position. The businesses that the small business owners created were risk averse, in that the emphasis was on stability rather than on growth and development.

A significant percentage of the entrepreneurs indicated a positive perception and attitude towards changes in the environment. The changes that were taking place were seen to open up opportunities rather than being threatening. They indicated that South Africa was "full of opportunities for those that were willing to give it a go". To give it a go, meant to leave the security of your position and make a stand on your own, to start something that you "really believed in". This was a fundamental distinction between the two groups and its effects are extensive (i.e. its effects on the entrepreneurs motives and their strategic business practices). This perception was evident in their operation of their businesses in that they identified opportunities and changed or adapted the business to better suite those external environmental characteristics. This is also consistent with Filley and Aldag's (1978) description of entrepreneurs who started promotion businesses which were informally organised to exploit some opportunity and were characterised by a high growth rate.

5.5 Business characteristics

Since the majority of respondents were living and working in the city's urban area before they started their businesses, they were more inclined to start their businesses in the same geographic area. Only five out of the 32 respondents actually moved into the urban area immediately prior to starting their businesses. Cooper and Dunkelberg (1987) suggest that individuals usually start new businesses where they are already living and working and regional small business development was found to be substantially dependent upon the pool of potential entrepreneurs already employed in regional incubator organisations.

5.5.1 The business structure

All the businesses in the sample had what could be described as a simple firm structure, as defined by Miller (1984). This was a characteristic requirement of the sampling to ensure compatibility between the different respondents in the sample. There were however some differences in the structure of the businesses, concerning partners and employees. The small business owners were more likely to have a partner than the entrepreneurs and their partners were most likely to be their spouse.

The small business owners were more inclined to start a family business, where other members of the family were involved and contributed towards the operation of the business. On the other hand, the entrepreneurs were more likely to start a business that was independent of the family, meaning that there was no direct influence by other family members. Burns and Dewhurst (1989) found that a characteristic of individuals that wish to run their own show is a need to be in control. Kets de Vries (1985) also identify a strong need of the entrepreneur as being the need for control which is a desire to let no one else have any authority. This may be reflected in the entrepreneurs need for autonomy and independence from other family members as well as other partners.

The entrepreneurs had on average more employees: the small business owners had on average four employees, while the entrepreneurs had on average six employees, even thought they had not been operating for as long a period as the small business owners. (At the time of conducting the research, the average length in operation of the businesses was five years for entrepreneurs and seven years for the small business owners) The small businesses owners had an average of four employees, and they reported that they had little or no intention of growing to any great extent. This was significant in that the entrepreneurs would therefore in the near future probably contribute more towards job creation than the average small business owner.

5.5.2 The strategic business focus

The entrepreneurs were notably different in their business orientation compared to the small business owners. The entrepreneurs differed in their propensity to have an innovative and growth oriented business as opposed to the small business owners who had a more stable (not growth oriented) and conservative (not innovative) strategic business focus.

Small business owners were more inclined to start a business in an industry or area that has been identified by themselves as more stable and predictable. Their expressed need for security was identified as an important factor affecting their business choice (i.e. starting a franchise operation rather than an independent business). The businesses started by small business owners were not innovative and they were not growth oriented, with the majority of small business owners aiming to make an adequate or comfortable living from their businesses.

Growth orientation

The majority of the small business owners aimed to establish a business that would provide them and their families with an adequate living, while many of the entrepreneurs expresses a desire to grow and develop their businesses, in order to increase the chances of survival, and to achieve their personal goals. Even though there was very little evidence of long term strategic planning, it was clear that the majority of entrepreneurs had some aspiration or 'vision' that they were working towards (i.e. they were also reinvesting their profits into the business and drawing the minimum amount for themselves to live on). Small business owners were more likely to take profits from the business for their family needs and family needs were identified as being more important than those of the business.

This growth-oriented business has been used to characterise the entrepreneur, and is considered by some to be a central feature of entrepreneurial activity (Tropman & Morningstar, 1989; Dunkelberg & Cooper, 1982). This perspective is disputed by Vesper (1980) who points out that many business owners never intend for their businesses to grow beyond a certain size even though those businesses may be considered entrepreneurial. Carland et al. (1984) argue that it is essential to go beyond the notion of growth and growth stages to conceive of an entrepreneurial venture. This possible contradiction may be explained by the following. Four of the entrepreneurs started businesses that they themselves considered to be small businesses which were not expected to grow to any extent (this was because their focus and target market were relatively small and growth would be impractical and possibly suicidal). All of them had, however, identified other opportunities (either related to the first business or totally new) in the environment and in a similar fashion to their first businesses they were planning to start or had recently started another business. They were still controlling the first business, but slowly they were giving more and more responsibility to managers around them, allowing themselves to spend more time on the new business. It was therefore not the business that was growth oriented, but the entrepreneur.

Risk taking

There were a variety of risks identified by the respondents in starting a business, and while the financial risks were easily identified there were reports of other significant risk types, such as the risk of leaving a secure position because of the difficulty of re-entry; family or social risks; and risks to status. All the respondents could identify risks that they had to take in order to start their businesses and so to differentiate between entrepreneurs and nonentrepreneurs on the risk that was taken was not possible. Respondents recognised that any venture was risky. Any small business venture was identified as somewhat risky. This perception is

supported by Schumpeter (cited in Carland et al., 1984) who identified risk as being inherent in ownership rather than entrepreneurship. There were however, differences in the perception and attitudes of the respondents' towards the risk and these are discussed in Section 5.2.7.

Innovation

All the entrepreneurs used innovative strategic practices in their businesses and these results are widely supported in the literature (Drucker, 1985; Glueck, 1980; Kirzner, 1973; Miller & Friesen, 1982; Schumpeter, 1934; Van Daalen & Van Niekerk, 1990). All businesses begin with an idea, and the ideas behind the entrepreneurs' businesses were either aimed at creating something different, thereby avoiding any direct competition, or to put one's business in a position where it could be more competitive. Each of the entrepreneurs used one or more of the five types of innovation, as identified by Schumpeter (1934). The entrepreneur's function, according to Schumpeter, is to innovate, or to "carry out new combinations" (Casson, 1983). Schumpeter stressed that entrepreneurial innovation necessarily included not just invention or technological improvements but encompassed all the activities necessary to make innovation commercially viable (Hornaday, 1992). Some of the entrepreneurial businesses were more innovative than others, but each of them was innovative in at least one of the five ways identified by Schumpeter (1934). This innovative behaviour was one of the most important difference between the two types of businesses created and was used to distinguish between entrepreneurial and non-entrepreneurial businesses.

The research results are also supported by Glueck (1980) who distinguished between entrepreneurial ventures and what he termed family business ventures, by focusing on strategic practices. An entrepreneurial orientation suggests that an organisation must constantly seek to exploit the dynamics of its environment. Similarly, Kirzner (1973) identified the entrepreneur by identifying market arbitrage opportunities as the fundamental function of the entrepreneur (Long, 1983). His explanation of entrepreneurial activity was, however, limited to venture ideation: once awareness of an opportunity has been attained, the task becomes one for a professional manager. Miller and Friesen (1982) described entrepreneurial firms (similar to the small business entrepreneurs) as those that identify innovation as a natural state of affairs. These firms develop a competitive strategy aimed at making dramatic innovations as a matter of routine and take concomitant risks. The conservative firm (similar to the small business owners) innovates only when challenged (Miller & Friesen, 1982). The model predicts that innovation will not take place in conservative firms unless: (a) there are serious challenges, threats, or instabilities in them; (b) there is information about these challenges brought to key decision makers by effective scanning and control systems and, (c) structural, technocratic, and financial resources are adequate for innovation (Miller & Friesen, 1982).

These results are also consistent with the organisational typology of Filley and Aldag (1978 cited in Chell et al., 1991). The small business owners in this study correlate with Filley and Aldag's (1978) craftsmen, and the entrepreneurs were similar to their promotion firms. Filley and Aldag (1978) found that craftmen were nonadaptive, inclined to avoid risk, and concentrated on making a comfortable living (cited in Chell et al.,

1991). Their firms were stable and not growth oriented. Promotion firms were organised informally to exploit some type of unique competitive advantage. They were centrally controlled and were often short lived and transitional in nature. They were smaller in size and had high rates of growth.

5.6 Sociological factors important to the entrepreneurs

There were two sociological factors that were found to be significant. These were the personal and professional networks of the individual; and the effect of role models on their motives and career development.

5.6.1 Personal and professional networks

The entrepreneurs appeared to have a more extensive business network and a smaller social network than the small business owners. The small business owners on the other hand, had a more even balance between business and social network. Small business owners reported that they preferred to go to family and friends for their support, while entrepreneurs consulted a wider range of people (both family, friends and external professionals or business persons).

The entrepreneurs reported that they had a wide range of informal business associates, indicating a weak yet extensive network. These contacts provide confidence, support, advice, and information in the new venture. This is supported by Aldrich et al. (1987) who stated that successful entrepreneurs were found to have large networks of casual acquaintances. This network created by entrepreneurs was made up of primarily business associates, and was reportedly beneficial in the operation and promotion of the business. The entrepreneurs reported that their circle of social friends had in fact reduced in that they had lost contact with many of their old friends since they had started the business. This was a common problem, and was a result of the time constraints and commitment required by their businesses.

The entrepreneurs' social support network had in fact been reduced to a few key individuals while their professional social network had expanded and grown. Their social support network provided moral support when times were difficult and the professional network was used to gain contacts, to receive advice and guidance and to promote the business. Results indicate that the long hours, the necessary dedication and commitment to the business, and the loneliness had a significant impact on the entrepreneurs. Friends and family provide understanding, encouragement and physical support during these times. These people who supply moral support help the individual entrepreneur and small business owner to persist when times are tough. Another important supportive group was other small business owners. These external members served to provide a supportive environment during the launch and development of the business.

The small business owners were similar to the entrepreneurs in their social networks, but they tended to include the family and close friends to a greater extent in work matters than did the entrepreneurs. This would indicate a greater social network, and in fact they reported consulting with friends or family prior to consultation with outside contacts. The personal savings of the respondents were seldom enough to avoid the need for financial

assistance from outside sources. Consequently, the majority of entrepreneurs approached either financial institutions and small business organisations (i.e. Small Business Development Corporation), or used personal savings, friends or family contacts for financial assistance. The majority of small business owners reported a preference to approach the informal sources of financial support such as personal savings, family, friends or acquaintances for financial assistance. The same went for managerial or other professional services, where small business owners would reportedly consult informally, such as family, friends and business associates, while more of the entrepreneurs approached formal organisations for this support. It was apparent that both groups consulted with family and friends on business matters, but the entrepreneurs reported a greater level of consultation with outside professional bodies.

Birley (1985) indicated that entrepreneurs have been found to use the help available within their local networks during the period prior to start-up and approach formal sources when the elements of the firm are set. This was evident in the entrepreneurial group as well as in the small business owners, but as it was stated, there was a difference in the extent of consultation of professional bodies by entrepreneurs as opposed to small business owners.

5.6.2 Role models

Within both groups of entrepreneurs and small business owners, there were reports of positive effects of role models (other self employed individuals) in influencing the individual to start or purchase a business. There were, however, no distinguishable differences in the influences of role models between the two groups. The presence or identification with role models, both at an early age and later on in the respondent's career was an important factor influencing small business owners and entrepreneur to start a business. The presence of role models and their influence on the potential for an individual to decide to go into self-employment is widely documented. Hisrich (1990) noted that several entrepreneurs have informally mentioned that one of the most important facts to influence them in their career choice are role models.

These role models provided a positive image of self-employment to the respondents. They consisted of family, friends and individuals associated with them in their work situation. This is supported by Shapero (1975) and Bygrave (1994) who identify the credibility of the act of starting a company as depending, in part, upon whether the founder knows of others who have taken this step. A body of research suggests that entrepreneurs are more likely to come from families in which a parent owned a business (Roberts & Wainer, 1971; Cooper & Dunkelberg, 1987). The role-models showed the respondents a way of life with which they could identify, a result supported by research conducted by Cooper and Dunkelberg (1987).

In some instances the individual respondents preferred to go into self-employment simply because it offered a life that they were familiar with, especially when the family owns a business and the sons or daughters (more often the sons) take over the business from the father. Entrepreneurial fathers are more likely to produce entrepreneurial sons, both because of exposure in the home to a business-oriented atmosphere and because of

the goal orientation that may be instilled in a son by an entrepreneurial father (Roberts & Wainer, 1971). In past research, it was established that it does not even seem to make much difference whether the relative was successful; the act of owning a business creates a credible example (Susbauer, 1972 cited in Cooper & Dunkelberg, 1987). Simple familiarity with a business environment increases the probability that an offspring will become an entrepreneur (Roberts & Wainer, 1971).

These role models often provide more than a positive image to the potential small business owner or entrepreneur: they offer encouragement and advice on business matters as well as opportunities within the environment. They offer the potential small business owner experience in the mechanics of business operation by having the potential small business owner helping them out, or having them work part time or even full time. This was reported to be a very strong motivator as well as a good support mechanism in the initial stage of business formation. As Hisrich (1990) notes, role models can also serve in a supportive capacity as mentors during and after the launch of the new venture.

CHAPTER 6 CONCLUSION

The results indicate, in agreement with Carland et al. (1984), that although there is a considerable overlap between small business owners and small business entrepreneurs the two are not one and the same. The results correspond with Drucker (1985) who states that not every individual who establishes a small business is an entrepreneur, and not every business created is entrepreneurial. This research clearly showed, in agreement with Gartner (1985), that small business entrepreneurship is a holistic and multidimensional process, thereby making it necessary to take into account variables that affect the process (environmental and sociological variables, the organisational structure and strategy, as well as the characteristics and competencies of the owner-manager).

Despite the lack of agreement in the literature concerning the stages of the entrepreneurial process, Moore's (1986) process model provided a useful framework from which to investigate the small business entrepreneur. Using this model, the key stages of the process as well as the factors affecting this process were clearly identified and investigated.

The research made the initial differentiation between entrepreneurial and non-entrepreneurial businesses based on the level of innovation manifested within the business. Innovation was chosen because of the strong historical link between innovation and entrepreneurship (i.e. Hornaday, 1992; Schumpeter, 1934). This innovation factor has been identified as the most important differentiating factor between entrepreneurial and non-entrepreneurial businesses (Glueck, 1980; Tropman & Morningstar, 1989). The research subsequently found, in agreement with Dunkelberg and Cooper (1982), that the entrepreneurial businesses were not only more innovative than their non-entrepreneurial counterparts, but they were also more growth oriented. The two factors that differentiated between the entrepreneurial and non-entrepreneurial businesses was: innovation; and growth.

In support of Miller (1983), the research indicated that the individual that controls, directs and monitors the small business was the key factor in determining whether the small business would be entrepreneurial (innovative and growth oriented) or not. Researching the individual owner-manager of the business is therefore critical to researching small business entrepreneurship. Similarly, Miller (1983) found that the critical factor determining entrepreneurship in simple firms were the personality characteristics of the leader. In this research, it was the small business entrepreneurs' perceptions, attitudes and psychological characteristics that differentiated them from the small business owners.

Simply focusing on the individual's personality characteristics was, however, identified as insufficient and other factors as identified in Moore's (1986) process model were important to the understanding of the entrepreneurial process. The behaviour of the individual owner-managers was influenced by their perception and attitude towards factors in the external environment; and these factors in turn have an impact on the behaviour of the

owner-manager, and therefore on the business. While the focus of the research was on the individual, factors external to that individual were also investigated.

6.1 The profile of the small business entrepreneur

The profile of the small business entrepreneurs that emerged in this research study indicated that the following perceptions, attitudes, and characteristics were significant in distinguishing them from the small business owners.

The small business entrepreneurs and small business owners acknowledged, in agreement with Maas (1993), the turbulence of the external environment in which they were operating as well as the inability of the formal sector to provide adequate employment to new entrants into the labour market. The small business entrepreneurs had a positive perception of the external environment and willingly took on and managed change and uncertainty. They identified the changing environment as one that provides or opens up business opportunities (opportunities to be taken advantage of and exploited). Small business owners by contrast had a more negative or conservative perception of the external environment and they often identified changes taking place as intimidating and threatening. The small business entrepreneurs were reportedly not threatened by change, but rather regarded it as a natural process. The small business owners adjusted to accommodate the changes (they were adaptive) only when threatened, while the small business entrepreneurs identified a proactive innovative strategic business approach as normal.

All the respondents acknowledged the advantages of an education although it was clear that few of the respondents had been educated in the field in which they had started their businesses. Education was identified as beneficial, but not a necessity. Similarly to the education, the experience of the respondents prior to starting their businesses was identified as advantageous, but clearly not a necessity. Whether the experience gained in incubator organisations was positive or negative did have an influence on the motives of the respondents: the more positive the prior experience the more likely the person would start a business in a similar industry; while negative experience or job dissatisfaction often lead to the creation of a business in a different area than that of the incubator organisation.

The small business entrepreneurs had a greater professional network than the small business owners, consisting of a wide range of work related contacts. The small business entrepreneurs personal or support networks (friends and family) were reportedly smaller than the small business owners. Small business owners reported that friends and family were approached more often and always before external business contacts, while small business entrepreneurs approached family, friends and external sources for support. All the respondents identified these networks as important and necessary for their own good and for the prosperity of the business. All the respondents were also positively influenced to a large extent by role models in the environment, who motivated and guided them in their business initiatives.

The majority of respondents started businesses in the same geographic area in which they were previously living or working (a result that has implications for regional entrepreneurial stimulation and development). The small business entrepreneurs businesses were characterised by less family involvement and they were more likely to have no or fewer partners than other small business owner. This was related to their expressed need for greater autonomy as well as control over all aspects of the business. The small business entrepreneurs strategic business focus was different from small business owners in that they focused on innovative practices (emphasizing change and adaptation) and their businesses were keyed on growth as a factor of success. On the other hand, the small business owners strategic business focus was on stability (emphasizing predictability) and their businesses were aimed at supplying an adequate living for themselves and their family, not on growth.

The following descriptive psychological characteristics of the individual owner-managers were identified:

- all the respondents had a diverse set of motives (both positive and negative) that propelled them to self-employment. For the small business entrepreneurs the most important motives were their need for greater autonomy and independence coupled with a need for personal advancement and/or greater economic potential. For the small business owners the most important motives were a need for greater job security and/or employment, and a need for greater autonomy and independence.
- Both groups of respondents showed a high level of determination and persistence.
- Both groups took risks, but the small business entrepreneurs reported willingness to take risks to achieve their objectives while the small business owners were more inclined to move into stable and predictable environments.
- The small business entrepreneurs, unlike the small business owners, welcomed and managed uncertain and ambiguous environments.
- All the respondents displayed a high need for control over the businesses that they created.
- The small business entrepreneurs scored significantly higher on activity potential than the small business owners.
- The small business entrepreneurs scored significantly higher than the general population on their inductive tendencies, their self-confidence and level of flexibility.
- The small business entrepreneurs scored significantly lower than the general population on moodiness (which refers to sharp fluctuations in mood, ranging from elation to depression).
- All the respondents reported experiencing stress during the operation of their businesses although it was reportedly more prevalent with entrepreneurs than small business owners.

There were three important factors that influenced the respondents and determined the level of entrepreneurial behaviour displayed by the firm. The first factor was the individuals' ability to direct the functioning of the business in order to follow their own goals and aspirations. If there were too many partners, or if there was a large amount of family involvement, then the power in the business was not centralized with the entrepreneur, resulting in negotiated settlements concerning strategic behaviour. Centralized power was therefore essential for the owner-manager to start and operate an entrepreneurial business. The second factor was the individual's

knowledge and perception of the external environment. There was a need to be able to perceive and act on positive and viable business opportunities, and this requires knowledge about the environment and acceptance of changes that were taking place. The third factor consisted of the personality characteristic of the small business entrepreneurs, which included their motives. The entrepreneur needs the motivation and drive to achieve. There are many sacrifices that need to be given for success and the drive and motivation of the individual must be able to keep the person going when things get tough. Certain personality characteristics were important for the individual to be able to start and operate an entrepreneurial business: characteristics such as self-confidence, a high level of activity potential, persistence and determination.

The research showed the need for distinct and accurate descriptions of small business entrepreneurs as opposed to other small business owners. Erroneous descriptions of small business entrepreneurs and entrepreneurial businesses can jeopardize investigations in a variety of ways and an analysis of how small business entrepreneurs make their fundamental contributions to economic development cannot draw sound conclusions if the case studies are not entrepreneurial (Carland et al., 1984). These small businesses, whether they are entrepreneurial or not ,are intimately linked to the owner-managers who control them. This research showed that not only are the entrepreneurial businesses that are created different from other small business owners, but so were the individuals that control them. This research project argues therefore for a fundamental distinction between small business entrepreneurs and small business owner-managers, and secondly for a differentiation between entrepreneurial businesses and other types of small businesses (such as family businesses).

Entrepreneurship should therefore not be used as a blanket term to describe all new business creation. The term "entrepreneurship" implies innovation and growth, whereas small business ownership does not . As the results indicate, one cannot use the term entrepreneurship to cover a range of different types of businesses. As Miller (1983) indicates, the type of business, its structure and strategy are important to an understanding of entrepreneurship. Different businesses have different requirements for entrepreneurship and a unified term is not plausible at this stage. As Begley and Boyd (1987b) argue, between-group comparisons matched on key organisational characteristics are necessary for a better understanding of entrepreneurship.

Due to the qualitative methodology used, the research was subject to biases inherent in the qualitative research approach. These included the biases inherent in the interview process, such as the limitations outlined by Taylor and Bogden (1984). The research was also limited in its generalisability due to the small sample sizes. The research was however aimed at providing a valid description of the small business entrepreneurs and small business owners rather than attempting to provide generalisable results. It is therefore accepted that its generalisability is limited in extent.

Despite these limitations, the researcher feels that the research has validity with reference to the more general population of small business entrepreneurs. The research also highlights the need for holistic research processes that strive for a fundamental distinction between the entrepreneur and other small business owners.

This research suggests a distinction between the development and promotion of small businesses and small business entrepreneurship. The research further points out the difficulty inherent with the promotion of and education in entrepreneurial skills. While it is apparent that certain skills (i.e. managerial skills) can be improved and enhanced through training and education, simple training will not create more entrepreneurs as entrepreneurship is not entirely dependent on an individuals skills. There are certain psychological characteristics that are important for the potential entrepreneur. Small business entrepreneurship therefore requires an entrepreneur: an individual with unique psychological characteristics. Through an understanding of these psychological characteristics of the entrepreneur we can more effectively promote small business entrepreneurship in our communities.

The research indicated that only by attaining a holistic approach of small business entrepreneurs that have been clearly defined as entrepreneurial, will researchers be more successful in furthering our understanding on small business entrepreneurship. Not differentiating between entrepreneurial and non-entrepreneurial businesss and hence small business entrepreneurs and non-entrepreneurs, may result in inconsistent results in the future. Only by achieving this distinction in the samples under investigation can small business entrepreneurial research really progress. There is also a need for future research into clearly defined sample characteristics (e.g. female entrepreneurs in simple businesses).

The results point to the idea that the entrepreneurial businesses were more likely in this study to grow and develop beyond the scope of the other small businesses, contributing more to economic advancement, job creation and innovative change than the small business owners. Innovation and small business entrepreneurship are needed in society as much as in the economy, in public-service institutions as much as in private businesses. These positive aspects attributed to entrepreneurial businesses show the need for small business entrepreneurship as well as small business creation in South Africa.

South Africa is in a period of transition, with change taking place at a rapid rate. It is within this period of change and transition that entrepreneurs are most effective, as they are able to perform effectively in the ambiguous and uncertain environments. It is therefore now that an entrepreneurial culture is needed in South Africa. Although attempts at establishing an entrepreneurial culture in South Africa are being encouraged, efforts in this regard should be theoretically sound and based on experience in other countries. Methods of entrepreneurial development will, however, have to be developed specifically for the South African context in order to be accepted and effective (Maas, 1993).

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APPENDIX 1

Guideline for qualitative interview

1. Demographic information (age, gender, marital status, education & experience).

   Probe for: - previous experiences (positive and negative).
   - significance of education and experience on their motives as well as their choice of business.
   - process of education and experience leading to self-employment.

2. The business (type, length in operation, size, employees, partners).

   Probe for: - reasons for starting a new business or taking over an existing business.
   - link between education and experience and type of business started.

3. What were your motives for wanting your own business?

   Probe for: - positive or negative motives.
   - the presence of role models.

4. What are your reasons behind these motives?

   Probe for: - reasons for self-employment.
   - expectations of respondents concerning self-employment.
   - expectations concerning their particular business.

5. Was there some particular event that led you to start/take over an existing business?

   Probe for: - events that led to self-employment.

6. Has self-employment met these expectations that you had?

   Probe for: - problems encountered in starting and operating the business.
   - techniques used to overcome these problems.

7. What made you choose to start this particular business?

   Probe for: - previous ideas and identification of business opportunities.
   - competitive advantage of the business.
   - perception of the environment in which the business is operating.

8. Do you have to be innovative in this type of business?

   Probe for: - innovative behaviour displayed or any innovative approach to business.

9. How did your family and friends react to your decision to go into self employment?

   Probe for: - support from family and friends.

10. Do you receive any support from individuals outside the business?

    Probe for: - other forms of support.
    - consultation with outside organisations, financial and managerial.
    - the respondents willingness to consult with other people.

11. Were there any risks that you had to take in starting the business?

    Probe for: - type of risks undertaken.
    - methods used to lower risks in any way.
    - consideration of respondents perception of themselves as a risk taker.

12. What made you start the business on your own/ with a partner(s)?

    Probe for: - relationships to partners (if any) or experience of working on his or her own.
    - decision making techniques used in the business.
    - responsibility taken in the business.

13. What role does the business play in your life?

    Probe for: - level of commitment required by the business.
    - other commitments in the individual's life.

14. Do concerns about work worry you all the time?

    Probe for: - relaxation and other non work activities performed.

15. Do you find the work demanding?

16. Are you under any stress?

    Probe for: - techniques to deal with stress.
    - changes in stress level as the business developed.

17. How would you like to see the business develop in the future?

    Probe for: - future plans concerning the business.
    - reasons for goals or aspirations for the business.
    - preparations made for the future.

18. If you had to do it again, would you do it in the same way?

    Would you choose the same business?

    What would be different?

APPENDIX 2

CONSTRUCTION OF THE SORT

The Structured-Objective Rorschach Test (SORT) comprises the following (Louw, 1975, p. 3-9):

For each blot 30 responses, arranged in 10 groups of three, are given. Each time the subject must choose one of the three possible responses which, according to him or her, is most representative of the blot, or some part of the blot.

In this way 100 responses are obtained for each subject. Each response contributes to the score of at least one of the variables which falls under Area and one of the variables which falls under Determinants. For many of the responses scores for one on the content variables and/or one of the variables P or O are also allocated. For each response, therefore, at least two or sometimes three or even four variables are allocated.

(a) Variables

When scoring the SORT, scores for 15 variables are obtained first. These scores for the 15 variables are converted to T scores (a normalized scale with a mean of 50 and standard deviation of 10) which are then used to calculate scores for 25 traits. The interpretation of the SORT is done on the basis of the 25 traits.

The 15 variables are the following:

(i)	Area:	W	:	Responses involving the whole blot;
		D	:	responses involving major detail (used more often in responses);
		Dd	:	responses involving minor detail (used less often in responses); and
		S	:	responses involving white space(s).
(ii)	Determinants:	F	:	Responses closely resembling the form of the stimulus;
		Fminus	:	responses remotely resembling the form of the stimulus;
		M	:	responses involving human movement or posture;
		FM	:	responses involving animal movement or posture;
		FC	:	responses involving colour and closely resembling the form of the stimulus;
		CF	:	responses involving colour and remotely resembling the form of the stimulus; and
		Fch	:	responses involving texture and shading.
(iii)	Content:	A	:	Responses about animals or parts of animals; and
		H	:	responses about humans or parts of humans.

(vi) Statistically derived scores:

P	:	Popular responses; and
O	:	rare (original) responses.

(b) Traits

The 25 traits are divided into the following four aspects (Stone, (1958) cited in Louw, 1975)

(i) Mental Functioning

The intellectual ability of an individual is not necessarily reflected in his everyday intellectual performance. It is desirable to know how the intellectual abilities are used, that is, the type of approach used in intellectual situations, the adaptability to the reasoning processes, the flexibility of ideas, and the ability to organise the mental processes. The way in which an individual uses his intellectual abilities can be deduced from the following traits.

1. Theoretical Tendency is the facility for thinking in broad general terms, for getting perspective and an overall picture and for seeing the relationships between parts. It is indicated by the W score.

2. Practical Tendency is the ability to think concretely and to tackle problems in a practical, concrete way or from definite details. It is indicated by the D score.

3. Pedantic Tendency is indicated by the Dd score. An individual with a high score has a preference for thinking and attacking problems from the standpoint of fine, minute details. There is a tendency to be perfectionistic and to concentrate on precise, sometimes trivial, details.

4. Inductive Tendency is indicated by a combination of the M and W scores with the formula ½(M + W). It is the facility for logical thinking, based upon inferences from elements, the use of their accumulative synthesis to derive principles and to come to conclusions or generalisations, and the ability to create a meaningful whole from details.

5. Deductive Tendency is the readiness to apply, by logical approach, existing theories, principles and generalisations to data and to analyze their relationships. It is indicated by a combination of the M and D scores with the formula ½(M + D).

   A balance between trait 4 and 5, especially when both are high, indicates mental adaptability and efficiency. The intellectual potential of the individual is therefore more effective because of the versatility of his logical processes.

6. Rigidity in Thought is indicated by the S score. The trait indicates a tendency to stick to fixed ideas. High scores suggest an unwillingness to change a point of view, while low scores suggest an uncritical acceptance of the viewpoints of others.

7. Structuring is the tendency for mental alertness, precision and exactness in perception of reality, and awareness of and conformity with the demands of the environment. High scores indicate a rigid and formalistic way of problem solving. It is indicated by the F score.

8. Concentration is indicated by a combination of the F and F_{minus} scores in the formula $\frac{1}{2}(F-F_{minus} + 100)$. It is the ability to pay attention to the task on hand and to avoid distractions from the environment or one's own thoughts.

9. Reduction of Intellectual Efficiency

As a result of the possible presence of certain factors a person's intellectual performance would be lower than that which he would normally have been capable of. The presence of such factors in an individual is indicated on his report form by a cross (x) only.

a. Low Generalisation

When the Theoretical Tendency is low, that is, when the score for W is less than 42 on the T scale, the individual finds it difficult to pay attention to principles and theoretical implications.

b. Perfectionism

When the Pedantic Tendency is high, that is, when the score for Dd is more than 63 on the T scale, there is an increased possibility that the order of thought may be lost in a welter of detail.

c. Poor Control

When the F_{minus} score in the combination of the Concentration trait is predominant, that is, over 57 on the T scale, the order of thought of the individual is not readily channeled.

d. High Anxiety

When the Fch score is higher than 63 on the T scale, the individual finds it difficult to accept his own conclusions, and the ability to bring thought to a logical end is impaired. Excessive worry and feelings of insecurity or incapacity may be predominant.

e. Compulsivity

When $^1/_3$(S+ F+Dd) is more than 57 the individual is inclined to needless repetition, excessive exactness and unreal conformity by which the mental processes can be prevented from proceeding to logical conclusions.

(ii) Interests

The interest facets of behaviour refer to the range of an individual's reactions to his perceptual experience. Sensitivity to a variety of kinds of percepts implies a broader range of interests than a paucity of percept types.

1. Range of Interests indicates the extent of interests which may range from narrow to expansive. It is indicated by a combination of the H, P and a scores with the formula ½(½(H+P)-A+100).

2. Interest in Human Relations indicate perception of and attention to elements having human connotations, and is indicated by the H score.

(iii) Responsiveness

For this the modality as well as the frequency of the responses are used. It is assumed that the choice of responses which are often seen by the majority of persons in the normative group, indicates conformity. On the other hand, the consistent selection of responses rarely seen by others implies the tendency to be different.

1. Conventional

   The P score reflects the tendency to perceive the same features in the same way as others do, that is, to perceive the conventional. This is indicative of empathic tendencies. A low score indicates a lack of sympathy, while a high score may be indicative of an immoderate emotional involvement.

2. Individualistic

   This reflects the tendency to perceive that which is unique, different, non-conforming, sometimes even eccentric. The emphasis falls on the individualistic in the behaviour. It is reflected in the O score.

(iv) Temperament

The traits listed under this heading are largely related to deep inner feelings. Often these feelings are being compensated for in outward behaviour. Many of these ways of compensation may become occupational advantages.

1. Persistence is indicated by the S score. A high score is indicative of a strong tendency not to deviate from a set course. It may seem like stubbornness. It may range from the inability to stick to a task to the other extreme of obstinacy, defiance and quarrelsomeness.

2. Aggressiveness refers to the aspiration to attain goals by means of accepted procedures, the willingness and desire to work, the tendency to accept life's challenge, the quality of mature self-control and social conformity. This score is calculated from the M and F scores with the formula ½(M+F).

3. Social Responsibility is indicative of the willingness to be subservient, even although it is not for personal gain, the acceptance of obligations to oneself, one's family and one's society. A score is derived from M and FC with the formula ½(M+FC).

4. Co-operation is indicated by a combination of the FC and CF scores with the formula ½(FC+CF). It indicates willingness on the part of the individual to take part in group activities, the appreciation of and responsiveness in human relations, as well as the willingness to submit his own immediate needs to the long-range interests of others.

5. Tact implies that the impulses and biases are under control. It indicates the degree of maturity which is expressed in the ability to maintain stable relationships with superiors, peers and inferiors, and implies a good balance between inner impulses, conscious self-control and the demands of the social environment. A score for Tact is derived from a combination of the FC, M and FM with the formula ½[½(FC+M)-FM+100].

6. Confidence refers to ego-strength, self-confidence and persistence. It refers to inner feelings of personal worth, ranging from strong feelings of inferiority to strong feelings of self-assurance. A high score implies the ability to withstand stresses and maintain self-confidence under adverse circumstances. A score for Confidence is calculated from the M and FM scores with the formula ½(M-FM+100).

7. Consistency of Behaviour implies the tendency for characteristic behaviour patterns to be stable and well established, so that the individual's actions will be predictable. A score for Consistency of Behaviour is derived from the F, S and Fch scores with the formula ½[F-½(S*+Fch)+100]. In the formula an equivalent (indicated by *) for S is used, that is the T score is transposed as follows:
$S^* = 125-2S$ when $S \leq 50$
$S^* = 2S-75$ when $S > 50$.

8. A score for Anxiety is derived from the Fch score. It refers to a general feeling of apprehensiveness and inner uneasiness, a preoccupation with personal well-being, emotions and sensations, the result of feelings of insecurity. Low scores indicate composure. Excessive composure or an almost complete absence of Anxiety may indicate that the feelings have been suppressed to such an extent that the individual becomes cold and insensitive. Anxiety may be reflected in feelings of insecurity, inadequacy or constriction of behaviour as well as erratic behaviour.

9. Moodiness refers to sharp fluctuations in mood, ranging from elation to depression. The intensity and duration of each phase may vary greatly. A score for this trait is derived from the FM, F_{minus}, F and M scores with the formula $\frac{1}{2}[(\frac{1}{2}FM+F_{minus})-\frac{1}{2}(F+M)+100]$.

10. Activity Potential, reflected by the M score, implies control of emotional energy, the ability to follow through on planned action and concentration of energy in a specific direction, as opposed to dissipation of energy in non-productive channels.

11. Impulsiveness indicates the tendency to react to stimuli without thought and may lead to the taking of decisions on the spur of the moment. A score is calculated from F and F_{minus} with the formula $\frac{1}{2}(F_{minus}-F+100)$.

12. Flexibility is indicated by a combination of the FC and CF scores using the formula ½[½(FC+CF*)+M]. Flexibility indicates a general adaptibility, the ability to accept most situations and to handle them in a mature manner, and the ability to adjust readily from one situation to another. In the formula an equivalent (indicated by *) for CF is used, that is the T score is transposed as follows: $Cf^* = 100-CF$.

13. Conformity is regarded as the tendency to accept and be guided by socially accepted codes and customs and is indicated by a combination of the P and O scores with the formula ½(P-O+100). A low score indicates an unwillingness to pay attention to the viewpoints of others, while a high score may indicate lack of discernment.